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The Closing of Congress—Encouraging Outlook of Railroad Earnings—A New Period of Inflation?—The Market Prospect

THE closing of Congress, which occurs at the end of this week, is an event which will arouse but little regret on the part of any but those members who have been defeated and whose salaries and allowances accordingly come to a close with adjournment on March 4th. Taken all in all, the session has been most unsatisfactory, and in no respect has it been less acceptable to the conservative elements in the community than in its financial aspects. What Congress has done during the past two years has been in most practical aspects hurtful rather than helpful.

Among the outstanding pieces of legislation for which this Congress will undoubtedly be noted in future years must, of course, be reckoned the income-tax revision act of 1921 and the Fordney-McCumber Tariff of 1922. Both measures have been great disappointments, and both have seriously injured business prospects and impaired business conditions. The relief granted by the income-tax law was not a tithe of that which had been promised, or of that which was needed by active business, and further study of the conditions has convinced nearly all observers that reductions in the excessive surtax rates would be beneficial, not so much to those who were thus relieved of payment, but primarily to the working members of the community whose field of employment is limited and impaired through shortage of capital.

As for the tariff, its evil effects are not all of them as yet in operation, but enough has been done to show that it cannot be other than a highly injurious measure when viewed from the standpoint of general welfare. Especially to be included among the fields of business which have suffered from the tariff legislation is undoubtedly that of finance and investment.

A reasonably fair survey of the Congressional situation will not, however, neglect the action taken in adopting two other measures of unquestionable benefit. These are the budget law and the so-called debt funding act. True, this debt funding act was merely a modification of the original (and highly unwise) debt commission act which had established such impossible terms for the settling of our relations with foreign countries; yet it is only fair to give our legislative body the credit for itself correcting, even under pressure, such errors as it has in the past made. In assenting to the settlement which President Harding and the Debt Funding Commission had worked out, and in putting such assent into the form of law through the adoption of the debt funding bill, Congress, however reluctantly, has done a piece of work for which it must receive credit. But outside of these items on the right side of the ledger, it would be difficult to find many acts of legislation which would properly go to swell the balance.

Not the least of the undesirable features of the session of Congress has been the fact that it has given currency to so many threats against industry and against legitimate finance. The most serious of these has doubtless been the effort to legislate in a way hostile to efficient transportation and sound management thereof. Coupled with this, has been the constant threat to undermine the Federal Reserve System. The unwise rural credits bills adopted by Congress have embodied great changes in the Federal Reserve System, which, if given their full

scope in administrative action cannot help damaging our banking situation profoundly. The hope, of course, is that, since they are permissive rather than mandatory, these changes will continue to constitute a threat of harm or danger rather than an actual infringement upon sound and conservative management. Which result will actually be realized is still to be ascertained.

The record of Congress on its financial side stands out significantly, yet it is not very different from the record that has been made in other fields. Taken all in all, Congress at this session has been a very unsatisfactory body, and its performance is far from fulfilling the promises that were made at the time when the new Administration took office. Few Congresses live up to the hopes, expectations or promises of their members or friends, but in this particular case the performance has been rather less complete than had been expected, even on the basis of the low average of former years. Will the new Congress which now proceeds to office prove any more public-spirited or able? There is some reason to doubt it. For a long time to come, it will probably be true that citizens will need to be actively on the watch to prevent serious infringements upon the rights of essential institutions. At all events, there now seems to be a fair prospect that the country may be relieved of the presence of Congress for some eight months to come, and that a breathing space will thus be granted.

* * *

GROWTH OF BUSINESS

It is gratifying to be able to record a genuine and decided growth of business after the letting down which occurred just at the close of 1922 and the beginning of the New Year. Readjustments due to the effect of the new tariff and to the changes resulting from France's policy in the Ruhr region have now been practically completed for the time being. The result has been to improve the condition of business most decidedly. Factories are now working with a view primarily to the satisfying of domestic demand, and nearly all business indicators show an upward movement. The steel industry is busy to the extent of practically 90 per cent of capacity in many branches; building materials are active and high; textile plants have booked orders far ahead; and the general outlook for trade is better than for some time past.

Those lines of industry in which there had been reaction just at the close of the year have apparently shown a very decided disposition to recover, and the result is that a maximum level of production is being approached. The question that has been earnestly raised in the past—whether this can be indefinitely maintained in the absence of a very decided improvement of conditions abroad—is still open and without any satisfactory answer, except the general reply which has already been afforded—that no long-range or final restoration of business can be counted upon that does not take in the general restoration of European business as well as our own. This, however, does not necessarily forbid temporary activity, and prosperity of an immediate kind such as we had during various periods in the course of the European War.

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EARNINGS OF RAILROADS ENCOURAGING

A FACTOR in the present financial outlook which affords very decided encouragement and satisfaction is seen in the ability of the railroads to "come back" after the depression to which they were subjected as a result of Government control and extravagance. The figures for 1922 which have just become available show a net earning which may be tentatively figured for class I roads at about 4.12% for the year, or approximately from one-quarter to one-third better than the last preceding year, comparing the whole of 1921 with 1922.

The fact that this result could be attained, notwithstanding the heavy expense growing out of the railroad strike of last year, should furnish ground for genuine hopefulness concerning the future of our transportation situation which has been regarded by some as rather hopeless. During December last, the roads probably made about 5.25% on their present valuation as checked by the Government, but even this is much less than the rate of 5.75% fixed by the Interstate Commerce Commission as fair.

There may be improvement during the current year, which will carry the earnings up to something like the legal maximum, but there is a growth of radical thought in Congress which is evidently hostile to the development of any success or prosperity on the part of the lines. It is reflected in the plan of some Western "progressive" Republicans to revalue the lines on a basis that omits unearned increment, their thought being to obtain a basis for figuring rates that would give the roads a technical return on their worth as thus marked down, while at the same time reducing the cost of transportation to the farmer and other elements in the community. This, of course, would be nothing but a veiled subsidy of the most objectionable kind. The roads are already suffering from their abnormal concessions to labor in the way of excessive wages, which

in themselves are an outrageous and unnecessary favor to a special interest.

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COMMODITY PRICE ADVANCES

AN offsetting consideration in existing business, offsetting in some respects sound and satisfactory tendencies at least from certain standpoints, is seen in the fact that, coincident with better demand and larger volume of trade, there is a strong disposition to advance the prices of commodities to still higher levels. During the past several weeks this tendency has been evident in copper and other non-ferrous metals as well as in steel, and has, of course, already made itself felt in the textile field. It creates a situation which is unsatisfactory to the consumer, especially to those classes of producers whose goods have not advanced in sympathy with manufacturers—notably the farmer. It also tends greatly to stimulate the movement toward what is called "inflation" and thus to retard or prevent the development of the natural check which is ordinarily placed upon such movements through the advance of discount rates at central banks.

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FRENCH POLICY NOT A SUCCESS

REFERENCE has already been made to the doubt that American business inevitably feels concerning the development of conditions abroad. It would be useless to attempt to discredit this sentiment or to limit unduly the amount of weight to which it is entitled. What chiefly causes the average American financier and business man to feel anxiety concerning the Franco-German situation is the lack of success which seems to attend it in a financial way. While there is a good deal of criticism because of France's apparent disposition to inflict upon the Germans the same kind of suffering that they sought to deal out to her, opinion on this score is undoubtedly sharply divided.

There are many who believe that the Germans have richly deserved all that they are today suffering. Both sides, however, would gladly see the Ruhr experiment ended in our own commercial and material interest, if on no higher ground. This consummation does not seem at all probable when we note that France's occupation of the Ruhr is apparently costing her a good deal more than it is bringing in. The optimistic prediction that it would result in forcing the Germans to pay what they owed was, of course, based on the theory that they could make such payments if they chose; that is to say, that they had the funds in their possession with which to meet their reparations obligations.

Experience in the Ruhr thus far would seem to point to the reverse opinion, and there is every reason to think that the occupation may be continued for a great while, if the French Government is determined to maintain it until actual cash return is realized from it. Of course, this means continued disturbance, a fact which was frankly contemplated by Premier Bonar Law in his speech at the opening of Parliament on February 13 last.

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FOREIGN TRADE UNCERTAIN

IN these circumstances, it is not strange that our foreign trade continues to be the least satisfactory outlook in the business situation. If that were not so, we might be enjoying today a veritable "boom." The figures which are coming slowly to hand now, however, seem to show that our exports up to the close of 1922 had undergone an improving tendency, although for the entire year they were unsatisfactory as compared with 1921. Nevertheless, the advance in values has been considerable. Imports, on the other hand, continue to be as uncertain as ever, due to inability to ascertain the facts from the Department of Commerce which still withholds final figures on anything subsequent to October last. What we do know, of course, is that we cannot do a very satisfactory trade with the continent of Europe as long as conditions continue as at present. There may be an improvement due to temporarily increased demand in other parts of the world, but after all, we need a healthy European market in order to keep our business upon a profitable footing.

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MARKET PROSPECT

THE market is making slow but steady progress toward higher levels, having recovered at the end of last week nearly to the level of the October, 1922, high. The ability of practically all important lines of industry to earn increasing amounts on outstanding common stocks should lead to a more liberal dividend policy in many corporations heretofore restricted by lack of working capital or the necessity for building up surpluses. Business having recovered from the depression, the real measure of the country's earning and buying power is becoming known, and unless the expansion be overdone or seriously interrupted by some unexpected influence, many corporations will, as a result of this year's business, make more liberal disbursements than ever before. It is this factor which is working to advance the market prices of stocks and this makes it a safe market to follow, so long as it keeps within bounds of restraint as at present.

Monday, February 26, 1923.

Now that the British have definitely bound themselves to pay their debt to the United States, the question arises as to which country will benefit the most. Uppermost in the minds of Americans is the question:

Will Americans Pay British Debt?

A Discussion of Leading Features Connected With the Recent Debt Settlement Between the United States and Great Britain

FOR THE UNITED STATES
Hon. THEODORE E. BURTON
Member of the Debt Funding Commission and Representative of Ohio

FOR GREAT BRITAIN
Sir A. MAURICE LOW
Washington Correspondent London Morning Post

As Interviewed by Theodore M. Knappen

THE British people have formally bound themselves to pay the United States Government $11,105,965,000 during the next 63 years, in order to extinguish on the "easy payment plan" a debt of $4,600,000,000. But who will be the ultimate payer of this stupendous sum—the British or the American taxpayer?

There is a suspicion in the minds of those who feel that we are as children in all international negotiations and strategies that some economist of 1999 will have little difficulty in demonstrating that though the checks were drawn on the British exchequer, the funds were collected from the American people. Others, however, deplore the settlement as bad business, holding that cancellation would have been more sagacious, and that if Americans do ultimately have to pay the bill it will be through the curtailment of our own prosperity by reason of the hardships payment will impose on the debtor; rather than because of British foresight, finesse and international, commercial and financial legerdemain. We have driven a hard bargain, this group of observers thinks, and one from which there is no escape for the debtor.

Touching the Retaliation Button

The suspicious ones cite the graduated export tax on crude rubber that has just been imposed by the British Federated Malay States, and say the 11,000,000 automobile owners of the United States will pay the British debt as they ride, at the rate of $100,000,000 to $500,000,000 a year. They see Britain touching the retaliation button again, if she chooses; and a new Joseph arises in Egypt and takes toll of the long-fibre cotton that goes into automobile tires—and other fabrics. American petroleum wells begin to dry up—and long before the 63 years denominated in the British bond are over, Uncle Sam is visioned, hat in hand, gratefully paying the owners of Britain's far-flung oil lands for petroleum for gasoline power and other purposes.

". . . the recognition and payment of just debts, between nations as between individuals, if arranged in such a way as not to ruin the debtor, is beneficial to both parties concerned. In this case we have given the debtor practically his own terms. He did not ask for cancellation and he did not desire a longer term of payment than sixty-three years. Britain is keeping faith with us, and we are keeping faith with our people who so unsparingly put their money into our bonds and made it possible for us to make to England the advances that were her salvation in the time of the Great War."—Theodore E. Burton.

Moreover, say the hard-boiled ones, the British, economic, if not political, masters of the tropics, will find a hundred ways to make Americans foot the bill in the prices of tropical imports. Boosted marine rates, insurance, international banking and de-dollaring the Yankee tourist will also help.

The less disconsolate of the pessimists admit that Uncle Sam has a few cards to play himself in a game of this kind. While the Constitution forbids export tariffs, the boll weevil, they say, will attend to marking up the price of our cotton that the British must have, and that whatever the Malay states may exact from poor flivver owners will be taken back from the shirts and skirts of the British millions.

Then, too, Britons must eat; and the American porker, American corn and wheat and so forth, co-operatively controlled in the future, will find a way to overthrow the making of prices in Liverpool and London for American surpluses and transfer that pleasant process to the American side of the Atlantic. And some other cards of Uncle Sam's might be mentioned if space permitted.

However, all this may be, the official American view is that the United States has made a fair, just and advantageous deal; and the British view is that just as it may be it imposes a burden on the British taxpayer from which there is no escape. In the interviews that follow Representative Theodore E. Burton, of Ohio and Sir A. Maurice Low, Washington correspondent of the London *Morning Post*, give the approving American and British views, respectively, of the great financial transaction.

A Statement of the American Position

"No measure has come before Congress of more far-reaching importance since the tense days of the Great War than this settlement of the vexed question of the British government's debt to the United States," said Mr. Burton, when I asked him to appraise the significance of the funding settlement. "As a member of the Commission that negotiated the agreement which Congress has approved with most gratifying despatch and decisive majorities, as a member of Congress and simply as an American citizen I approve this settlement with all my heart. It is the cornerstone of reconstruction of international credit and commercial stability. It is not only a settlement that represents the limit of what British ability to pay can stand; but it is, I think, about the limit of what we can afford to receive, though I know there are differences of opinion among economists on the latter division of the question.

"You will remember that in December 1919, Carter Glass, then Secretary of the Treasury, stated that under the existing circumstances the collection of even the interest on this debt would be only less disastrous to us than to the British. There has been a considerable change in the situation since then, as for instance the shrinkage of our favorable balance of trade and of Britain's unfavorable balance, the improved British credit position, the enhancement of the dollar value of the pound sterling, etc., but the British fiscal position is still very difficult and almost agonizing from the point of view of taxpayers, manufacturers and workmen. The present taxation burden in Britain is the heaviest ever borne by any nation in time of peace. And we are still in the position of not being able to view with satisfaction any composition that would tend to deepen the flood of gold that now submerges us, as dangerous to us in its excess as to the rest of the world by the deficit it creates there.

"But can we afford to accept even now as much as $175,000,000 a year in interest

and instalment payments, considering the dangerous gold accumulation, and the curtailment of British purchasing power such a sum devoted to debt payments may mean?" was asked Mr. Burton at this point.

"While the instalments will average something like the figure you mention for the sixty-two years the British bonds will run, it should be noted that for the first ten years the annual reductions of principal are under $30,000,000 and that for the first three years half the interest payments may be deferred and added to the principal amount and distributed over the remaining period. So, it is likely that during those three years payments of principal and interest will not aggregate more than $100,000,000 annually. I believe that this amount will not be crushing to British industry or finances, and I am confident that receipt of it will not be embarrassing to us.

"Aside from the inadvisability from our standpoint of making the payments so heavy as to tend to increase the flow of gold into this country, we already having too much for our own good as well as that of the rest of the world, small instalments and long maturity are good business, for they do not so burden the debtor as to destroy him as a consumer of our goods and as a current and future customer. The prosperity of our people depends to an important extent upon the ability of the British market to take a large part of our surplus production in raw materials and agricultural products. By this arrangement we secure a debt and retain a good customer. This phase of the settlement must appeal strongly to all investors and, in fact, to all whose fortunes brighten with general prosperity.

"Apart from the question of the direct effect of such payments on the stabilization of world trade there are other considerations which made a settlement at this time and the beginning of payments on account highly desirable. The indirect stabilizing influence of a settlement of what might have become a highly contentious and disturbing issue between the two great governments of the English-speaking world, will be very great. Notice is served on the world that the nation which leads in international trade, if not in international finance, has been able so to weather the after-war storms as to undertake with confidence the liquidation of the most colossal single international debt the world has ever known. The reassuring effect of such a notice will contribute greatly to the restoration of the pound to exchange par, which is a very important consideration for us; for viewed in a narrowly selfish way, there are some advantages to the British in international trade competition with us to have the pound at a discount as compared with the dollar.

> **"The funding settlement which Congress has now adopted and which had previously been accepted by the British government is very acceptable to our people—for two outstanding reasons. First, it proves to all the world once again that England always pays. Second, it unites the British and American nations in a pact that will go far to rehabilitate and stabilize the economic world."**
> **—Sir A. Maurice Low.**

An Object Lesson

"Then again, it is going to be a very appreciable relief to our taxpayers to have from $100,000,000 up to $187,000,000 coming in annually to be applied in the reduction of our national debt. This settlement is also an object lesson to the world. It shows that while the United States is steadfastly opposed to cancellation of inter-allied debts, not only from self-interest but from considerations bearing on the future of credit relations between nations, it is disposed to deal with them in such a manner that their payment will be endurable and that, large as they are, they can be liquidated without disaster. After Great Britain's example other debtor nations will be more inclined to consider payment of their debts possible, even desirable; and the fixed determination to dispose of them will tend to minimize budgets for military and other useless expenditures. In this way both peace and economy will be promoted."

"In view of our high tariffs and our creditor position, will it not be a very difficult, if not impossible task for the British to accumulate credits that will make such large cash payments in addition to other balances, to be possible, assuming that actual shipments of gold for payment are physically impossible?"

Will We Pay Finally?

"It will be difficult but it can be done. The balance of trade is against us in exchanges with tropical countries, and those countries, whether politically British or not, are largely British economically. Nominally, for example, we may owe Brazil a trade balance, but really we owe much of it to the British commercial, shipping and banking houses that so largely dominate the industry of that country, as of other tropical regions. To mention one commodity; though as a matter of production and shipment our rubber comes from the tropics, it comes commercially chiefly from the British; the British tax collector, capitalist, manager, shipowner, insurance agency, banker, broker—all take toll of the rubber that rolls the 11,000,000 automobiles of America.

"Another commodity that is not particularly a tropical production, petroleum, is largely a British product, no matter where found—even to some extent right here in the United States. **I believe the British calculate that in the not distant future, as our domestic supply runs out, we will be paying them a billion dollars a year for petroleum and its products.** Then there are British shipping charges on American commerce, insurance and other items that will enable them to meet their payments."

"But is it not possible that the British will be able to manipulate the prices of these things, so that after all the British debt will be discharged by our people rather than by the British people?"

"Yes, to some extent; but in the long run all artificial price regulations tend to destroy themselves. Prices are not fundamentally made by governments or government regulations. We may be 'held up' on rubber for a period (though the British assure us that the export tax imposed by the Malay states is merely an industrial protective measure) but if we are it will be an eventual loss to the British, for new non-British sources of rubber supply will be stimulated and created. In any event, the British are justified in taking any legitimate measures of commercial strategy that they may think will ease the burdens of their payments to us."

"Will not the contemplation of these long years of heavy payments prompt the British also to reduce their purchases from us in every possible way in order to build up a trade balance with us?

(*Continued on page* 850)

MEMBERS OF THE DEBT-FUNDING COMMISSION

Left to right: Herbert Hoover, Secretary of Commerce; S. P. Gilbert, Under Secretary of Treasury; the three British representatives, Sir Auckland Geddes, Mr. Norman and Mr. Baldwin; Hon. Theodore E. Burton, and Secretaries Hughes and Mellon

Inflation and the Stock Market

The Cumulative Evidence of Rising Prices and What This Growing Influence Is Likely to Mean to Securities, Business and the Cost of Living

By E. D. KING

WE are now entering a period of inflation—or rising prices—which is bound to have an effect, of at least some proportions, on the future basis of business and securities. From an economic viewpoint, such a prospect is not to be viewed without some misgivings as experience in the past has taught us that the result of a period of rising prices is the inevitable fall and ensuing stagnation of business. We are, however, at this time not concerned, practically speaking, with inevitable results but with the outlook for the near future and that seems to be sufficiently distinct to warrant certain definite conclusions as regards the trend of business and securities.

In the first place, let it be noted that—meaning by inflation, rising prices—we have been in a period of inflation for some months already. In fact, as can be seen from a glance at the commodities given on the accompanying graph, which are typical enough instances of what has been occurring, that prices have been rising now for upward of a year. Though this trend has undoubtedly been due to some extent at least to general appreciation of the fact that the long 1920-1921 decline in prices was exaggerated, being the result of acute business hysteria, **it must be manifest by this time that we are no longer in the stage of a reaction from a general decline but somewhere along the course of a new advance, having for its foundation distinct inflationary tendencies, with growing evidences of speculation on many sides.**

Signs of inflation may be seen in many directions—in commodities, in wages, in security values and, to a slight degree, as if in anticipation, in interest rates. Certainly no more convincing evidence can be had of the nature of this new era in business.

If further proof need be had concerning whether we are in a period of inflation or not, a few figures showing commodity price changes in the past year will dispel any doubts on this score:

	Low of 1921	Present Price
Coal (Bit.)	$2	$3.75
Steel (o.h. billets)	$28	$39
Rubber	18c.	35c.
Lead	4½c.	7c.
Zinc	4c.	7c.
Copper	12c.	16c.
Cotton	14c.	29c.
Sugar (raw)	2c.	6c.
Coffee	5c.	12c.

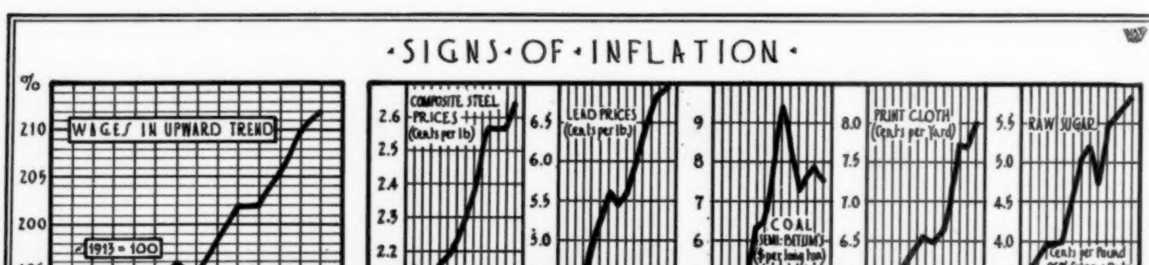
Coal and steel in dollars per ton, others in cents per lb.

These are only a few of the principal instances of the enormous price changes which have taken place since the past year or year and a half. Many more could be added to the list. **In fact, as shown by all the leading commodity price indices, there has been approximately a 40% advance in commodity prices since the summer of 1921.**

Effect of the Tariff

Consumers will voice their testimony as to whether we are in a period of rising prices or not. It is a remarkable fact that despite the large volume of building, rents are not only not coming down but that in some localities a new impetus has been given to a rising rent scale. In such instances, property owners declare that the added cost of coal (a result of the coal strike), new high prices for plumbing and building materials and higher wages lay the basis for higher rents. It is the old story of the price cycle all over again. Higher prices—higher wages—higher living costs.

A sufficiently strong influence in this direction has been the tariff which has favored certain special industries at the expense of the rest. Clothing will be dearer this fall on account of the new wool schedules and sugar, also affected by the tariff, as well as other influences, will not be as cheap as it has been recently, for a long time to come. Other instances could be given. The point to notice, too, is that the tariff has not been in operation for a long time and that, judging by its effect, already there is little to doubt that consumers this year will have to pay hundreds of millions more in the aggregate than they had to last year.



That labor is alive to the situation is dicated by the accompanying graph in- cating the higher wage schedules now in fect as compared with those of a year o. The advance has not been great as t because labor has not yet felt the ris- g tendency of living costs to a large de- ee but from now on with every advance the cost of living, there is little to ubt that labor will seize the opportunity demand a corresponding advance in ages. It is significant that not for over alf a year has there been any attempt deflate wages in any important industry certainly, a direct enough acknowledge- ent that the outlook does not favor wer costs.

The entire industrial situation is now ery sensitive to any price changes. With ull employment and good prospects of a rge volume of business, manufacturers nd others are not going to object forc- bly to higher wages once they are sure at they can pass on the added cost of anufacture to the consumer. Such a hing has not been possible for nearly two ears but with general prosperity the out- ook is almost certain that higher wage emands will be granted if the general evel of prices advance much further.

Thus far the banking situation has not elt the force of the inflationary tendency n prices but bank inflation will not put n appearance until the volume of busi- ess reaches a higher point and the price evel is higher. Since the outlook is pre- isely for a larger volume of business and higher price level, it is axiomatic that ank inflation, meaning by that an in- reasing amount of commercial loans and, herefore, probably higher interest rates, ill follow. As a matter of fact, inter- st rates have already advanced somewhat n the past few months, indicating a basis or a future rise.

Effect on Security Values

It would now be to the point to inquire into the effect of this inflation on securi- ties. It is essential to discuss this matter from two angles, first as to the effect on fixed-income-bearing securities such as bonds and preferred stocks and, second, as to the effect on common stocks and other forms of issues participating in earnings.

Inflation, meaning rising prices and, correspondingly, lower purchasing value of money invariably has an adverse effect on securities which are fixed as to rate of interest or dividends. The reason for this is very simple. A bond, for example, which pays 5% interest or $5 for every $100 of par value of bonds, attains higher or lower value proportionately as the pur- chasing power of the money received as interest from the bond rises or falls. When the purchasing power rises, i.e., when general prices decline, the value of the bond becomes greater and its market price is enhanced thereby. When prices are high, however, and the purchasing power of the money received as interest falls, the value of the bond depreciates.

There is, in addition to this factor the influence of interest rates. When the gen- eral interest rate is above the yield afford- ed by the bond, the bond will tend to gravitate lower to a level where the yield will increase to a point near the general interest rate. For example, if time money is 5% and the outlook is that money will get dearer, any bond which yields less than 5% is unattractive and will inevi- tably gravitate to a point where it will yield approximately or above the general market rate for interest.

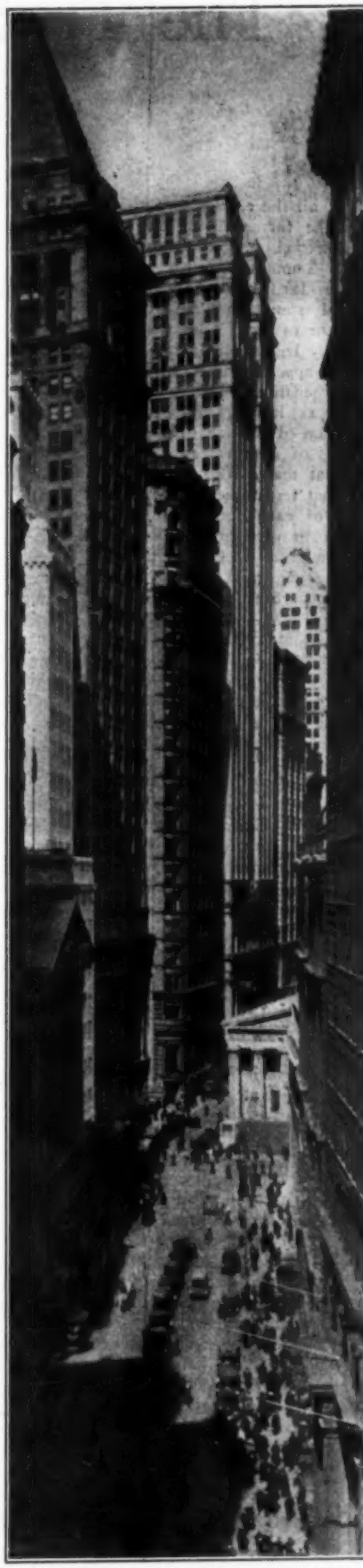
Now the prospect is that interest rates will advance and that prices will go higher. Both factors are adverse to fixed- income-bearing securities. In fact, they have already begun to discount such a prospect as can be seen from the fact that yields obtainable on good bonds are now somewhat in excess of those that could be obtained a half year ago. In other words, the basis of bond movements has changed and the general direction, as long as the present inflation continues, will rather be downward than upward. There are of course many exceptions to this outlook. For example, speculative and middle-grade bonds which are still selling to yield considerably over current and prospective interest rates and where the companies are showing a tendency to improve in earnings will undoubtedly afford some opportunity for a mild spec- ulative profit. There are also a number of convertible bonds that will probably sell higher as the stocks into which they are convertible advance. But in general, high-class bonds are no longer attractive from a speculative viewpoint and certain- ly offer limited opportunities along that direction. Inflation, therefore, is not like- ly to help this type of issue.

On the other hand, inflation should and undoubtedly will have a stimulating effect on share values. Since higher prices dur- ing the period which they exist mean larger earnings and, hence, larger pros- pective dividends, it is obvious that the share market, which discounts in advance, will take into cognizance the favorable outlook for earnings.

Inflation and Stocks

To a large extent, as can be seen from the attached graph, such discounting has already taken place. Very recently, in fact, the stock market has been excep- tionally strong and active in anticipation of such earnings. The sugar issues, for example, have had a tremendous advance discounting the larger earnings for these companies expected as a result of the marked rise of sugar prices. The rise in copper and oil prices has also had a stimu- lating effect on shares representing these industries. These examples afford an ex- cellent indication of how inflation is likely to affect stock values.

The question of further advances in the stock market is largely predicated on the limits of the present inflation. In view, however, of the pointed outlook for a higher price level for commodities and continued expansion of business, it would be rather unreasonable to expect any marked deterioration in stock values at this time.



Broad Street looking toward old Sub-Treasury Building

The Truth About the Farmer

His Troubles Real and Imaginary and How Political Capital Is Being Made of Them

By W. L. WILLIAMS

OF all the elements of the population, the farmer, with Labor as a close second, is getting to be the most vocal. Though no one may think much of the farmer's voice from a purely musical standpoint, nevertheless, as the possessor of a vote, his voice is now conceded by legislators to have a most compelling appeal. This subtle compliment given the farmer's voice by our national legislators has arisen from belated appreciation of the fact that there are many millions of such voices, and, consequently just that many votes. It will be readily seen that ten million farm votes, the possessor of each one vocal to a degree, is enough to give anyone a musical ear—even members of Congress.

True, this grand chorus is rather limited in its repertoire. It has learned to sing only one song—with a few minor themes—but it must be confessed that it has learned this song pretty well. The name of this song—lately become a great favorite with many members of Congress—is "Give us more credits." The names of the minor themes are "Reduce freight rates on farm products" and "Cut out the middleman."

The success which this musical rendering has met has recently inspired other groups—principally labor—to set up sideshows—and on any fine day in Washington, you may hear emanating from the open windows of the Capitol, a lovely refrain from legislators who have suddenly become enamored with Labor, mingling with the beatitudes of other legislators who are busy wooing the coy farmer vote.

What is the farmer complaining about and why has it been possible for him to secure the strategic advantage of favorable legislative action? The farmer will tell you that for several years he has been left out in the cold, that the country has left him high and dry, that he has been left to shift for himself and that, because he has not been able to secure sufficient credit from the banks, he has been compelled to sell his products at much below their worth and cost of production. This was all true—except for the credit part of it, of which more anon—but had the farmer been a more observing student of economic conditions he would have learned that he was by no means the only element of the population that suffered from deflation, and that the pinch of small or no profits at all was affecting nearly every branch of industry in addition to agriculture.

Was He the Only Victim?

Being more vocal than the rest, however, he made it appear that he was the chief victim of deflation and that where troubles of other industries incidental to hard times existed, they were by no means comparable to his own. The fact of the matter is that even in 1922 which was claimed by agricultural lobbyists to be a period of unusual hardship for the farming classes, the value of their products increased 32% over that of the year before. A good part of the increase, of course, was not obtained by the farmers, much of it going to middlemen's profits and for transportation. However, they certainly received more for their efforts than they did in 1921, a fact which seems to have been obfuscated in the general legislative partiality recently shown the farming interests.

Credits!

Now as to credits. An erroneous impression seems to have been created throughout the country that the farmer has been deprived, through banking machinations, of a legitimate supply of credit. As a matter of fact, he has enjoyed a surplus of credit in the past few years. This has been even true of the West where farming conditions have been most deplorable. In Dec. 23 issue of this Magazine, the Secretary of Agriculture stated in reference to the agricultural situation that "credit conditions are vastly improved. Interest rates have fallen compared with a year ago. The banks in the agricultural sections are in a far better position to serve their customers. Certainly there has been no lack of credit but, in order to alleviate fears of the farmers, Congress is about to pass another rural credits bill, which will probably do not a bit of good since the conditions which it is supposed to rectify no longer exist.

It is true that back in 1921 when the entire economic situation in this country appeared to be rapidly deteriorating, the farmers had a very hard time of it. But that was a long time ago and for many months now, credit conditions have been normal. Still the farm demand for credit serves as good political amunition for members of the Congress and it is not difficult to induce them to make political capital out of agricultural distress (real or imaginary) for the sake of producing a favorable vote reflex on the part of the farmers—even when the form of legislation provided is not likely to help the farmer one bit.

"The truth about the farmer is that he has already left hard times behind."

The truth about the farmer is that he has already left hard times behind. That does not mean that profits are going to flow toward him on an enormous scale, for the work the farmer does he gets too little, even when his prices are too high. Cartoonists thoughlessly have drawn pictures of farmers riding in expensive limousines, taking trips to Palm Beach, Europe and the like, but few and far between is the farmer who can afford such luxuries. The average farmer is content to keep his place running without incurring debt, have a little money saved up to meet sickness, send a child or two to preparatory school, occasionally to college, and perhaps to buy some new comforts which he learned to enjoy during the war period.

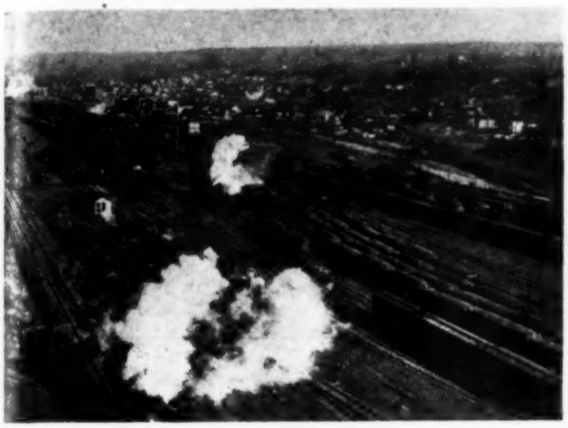
He is, however, under no illusions as to making a great deal of money. He knows that it can't be done under ordinary circumstances. But he does want a square deal and he is entitled to it.

However, it is hard to see how the political smoke-screen thrown up by legislative representatives of the farm groups can help the position of the farmer very much. You can't legislate prosperity into any class, and the farmer is being fooled if he accepts the promise of the vote-getters that prosperity can be legislated into the group to which he belongs.

The Farmer as Radical

In spite of new radical attempts to secure biased legislation on his behalf, the farmer is still conservative at heart, and he probably does not take as much stock in the promises of his Congressman or Senator as he lets himself appear to be. Certainly, if—as appears likely—he is favored this year with higher prices for the products which he has to sell, he is not going to bother very much about legislation designed to aid him. But if it doesn't work out that way and the promises of the legislators do not make good, unpleasant things are going to happen to those same legislators, and the farmer is going to have a hand in the meting out of punishment in a manner that is most effective—his decision at the polls.

Glimpses of the Railroads



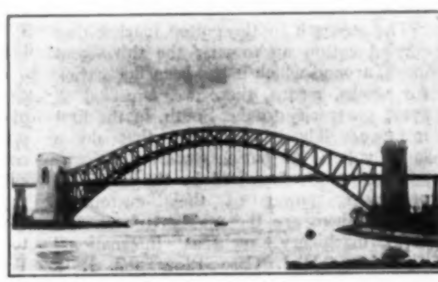
WHERE THEY UNSNARL THEM
In the D. & H. Yards at Carbondale, Pa.

LOOKING INTO "CASTLE CRAGS"
On the Shasta Division of the Southern Pacific

THE BEST FROM SIX WESTERN STATES
In a Great Northern exhibit car, spreading the gospel of northwestern opportunity

IN GLACIER PARK
Louis W. Hill, chairman of Great Northern, near the "top of the world"

AN INDEPENDENT "FEEDER" LINE
Carrying hay cut in Montana to the terminal



The Hell Gate Bridge—jointly owned by the Pennsylvania and N. Y., N. H. & H.

321 FEET ABOVE WATER
The towering Pecos Viaduct, on the Southern Pacific route in Texas

A BEAUTIFUL TERMINAL
Pennsylvania's "Union Station" at Washington, D. C.

30-Cent Cotton a Herald of Prosperity

The South Emerges — Industries That Are Affected by the Revival of Cotton—Europe Pays

By MARSHALL GARRISON

COTTON has long been recognized as the great "money crop" of the South. While it has a variegated production that includes, among agricultural products alone, tobacco, breadstuffs, rice, indigo and oranges, an industrial output including iron, steel and lumber, and mineral wealth such as phosphate rock, sulphur, and coal, its staple output, for which it is unique in the world and which supplies the backbone of its wealth, is and always has been cotton.

The strength in the cotton market that carried cotton up to near the thirty-cent mark, around which it has been fluctuating for weeks, means, therefore, a period of great prosperity to the South, in the first instance. Those companies that do a large volume of business with the South will be greatly benefited by the increased purchasing power of their customers. Among them are the makers of agricultural machinery, such as International Harvester, J. I. Case Plow and J. I. Case Threshing Machine, some of whom are badly in need of sales stimulants as the farmers of the West are in no condition to buy much of their output.

The same applies to makers of fertilizers, principally the American Agricultural Co., the International Agricultural Co., and Tennessee Copper and Chemical Co. Cotton needs a good deal of fertilizer, and the high price will induce the farmer to spend more on his preparations for the crop in the hope of getting a larger production.

Mail-order houses, such as Montgomery Ward and Sears-Roebuck and the chain stores will do more business with the South than they have in a long time as farmers one by one pay off bank loans and mortgages and feel that they have a right to use the extra money they get from this year's high-priced crop to buy the piano or victrola or sewing-machine that they have wanted for years and could not afford with cotton kicking around the market at 12 or 13 cents.

All this means, of course, more business for railroads, and particularly that desirable kind of business which travels a long way and pays a high classification rate, which applies to the last-described type of business. Among these railroads are the Louisville and Nashville, the Southern Railway, the Atlantic Coast Line, the Gulf, Mobile and Northern (which may now find it easier to build its 300-mile extension upward to meet the Illinois Central), and a host of smaller lines.

Assuming that the price of cotton stays near the 30-cent level, all this will take place to an accompaniment of booming wages to encourage labor to work in the cotton fields and, in all probability, a localized increase in prices over and above the price inflation now going on all over the country. The farmer used to be able to make money before the war on 11 and 12-cent cotton; while his costs have undoubtedly gone up, it is out of the question that they have gone up by anything like the 150% increase which he is enjoying in the price of the product that he sells.

Three years ago a careful study was made by a Governmental body of that intangible thing known as "the cost of producing cotton." It was found to vary from 7 cents a pound in some localities to \$1.03 cents a pound in others. No matter what price cotton reaches, therefore, there will always be some unfortunates who will lose money by growing it. For the vast majority of planters, 30-cent cotton represents comfort, prosperity or even wealth, depending on the size of the plantation and the efficiency of its management.

The high price of cotton may reasonably be expected to extend its effects still further into the social and economic life of the South. One of the interesting developments in that part of the country after the war was the increased tendency on the part of negroes to emigrate to the North, where wages were higher and living conditions better, and where they did not have to submit to the race discriminations which resulted from their presence in large numbers in the South.

It was noticed that at the peak of the erratic cotton markets of 1920, with cotton selling at 40 cents a pound or better, this emigration slackened decisively. The negro had the choice of working for a white employer at \$8 or \$12 a day picking cotton, or if he had sufficient energy and initiative he could even take a chance on planting a few acres of cotton himself. True, his methods were primitive and his costs of production absurdly high, but 40-cent cotton can stand a great deal of inefficiency.

Accordingly thousands of negroes gave up their plans to emigrate to the North and stayed home. Twelve dollars a day goes a long way to sweeten the bitterness of race discrimination.

When cotton dropped to 11 cents a pound, however, and planters did not fall over each other's necks in the attempt to secure what labor was to be had, thousands of colored farm hands felt with renewed resentment the injustices done to their race, and moved up to the North, to exchange the lynchings of Mississippi for the race riots of Chicago and East St. Louis.

We may, therefore, expect as a subsidiary effect of the high price of cotton some relief to the now chronic labor shortage of the South and, on the other hand, the withdrawal of what bade fair at one time to solve the labor problems of Northern plants. U. S. Steel, for instance, has been taking on hundreds of negro laborers from the South in recent months, and the assumption is that this source of supply

will dwindle as it becomes more attractive to stay down South and grow cotton or pick cotton.

Another aspect of the labor problem is the tendency of Northern plants to move down into the South to take advantage of the more abundant labor supply and the cheaper wages prevailing there. A notable example of this has been the Consolidated Textile Corporation, and other textile companies, which formerly turned out the bulk of their production in New England mills, with the aid of Polish, Hungarian, Italian and other foreign labor. Because of increasing union activity and the proximity to the great labor markets of New York and points west this class of labor has become discontented with the low rates of wages formerly prevalent, has fought bitterly against wage reductions from the 1920 high level, and in general has encouraged the movement of factories to the South, where wages are lower and the union organizer is born to blush unseen.

With 30-cent cotton holding out greater temptations to the laborer to move "back to the farm," there will be less advantage to the textile companies to use Southern labor rather than that available in New England. Even the saving in railroad transportation caused by spinning the cotton right where it is grown instead of hauling it raw from the South to New England and as cotton yarn and cloth from New England back to the South, desirable as it may be, will count for less in the selling price of cloth made from 30-cent cotton than it did in cloth made from 12-cent cotton.

Nor was this the only phase of the growing tendency to the industrialization of the South in recent years. The iron and steel plants centering around Birmingham, Ala., promised to be the nucleus of a whole new area of industrial development, and there had been a considable movement to the utilization in Southern lumber mills and factories of the products of Southern forests. The consequences of this movement cannot be overestimated, from the point of view of what they would add to the industrial resources of the United States or what they would mean in offering fresh opportunities to the developing energies of the South.

Will Industrial Development Be Retarded?

While the movement has not stopped, it cannot be denied that it has been slowed up by the revival of great prosperity in the older and more traditional pursuits of the South. In the same way, the tendency to greater agricultural diversification, to the growing of foodstuffs principally, which always becomes particularly marked in the South after a period of overproduction and low prices for cotton, has been checked by the prospects of greater profits to be made in the planting of cotton. Continued high prices for cotton are, therefore, seen to act as a conservative force in putting brakes on certain tendencies which have been manifesting themselves for years.

In addition to its effects on the South itself and on those companies which do much business with the South, the high price of cotton, because of the international character of the commodity, will have certain subsidiary effects on the economic relations of the South with the world at large which have considerable interest, though they will undoubtedly take longer to work out than the situations described above.

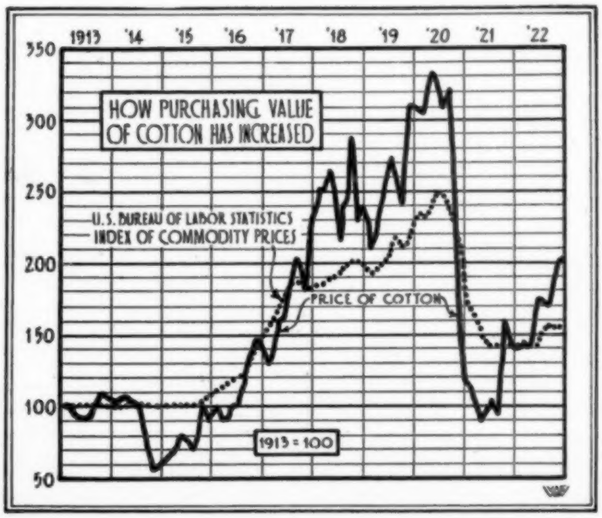
Of the 5½ million bales which this country has been exporting annually in recent years, Europe takes nearly all and, of European countries, Great Britain is far and away our best customer. Curiously enough, Great Britain exercises considerable political control over the two other great world sources of cotton, India, which produces short-staple, inferior quality cotton, and Egypt, whose product is of the finest quality known. For a number of years, British governmental aid has been given to attempts to increase the cultivation of American-type cotton in its dependencies, notably in Queensland and in Central Africa.

The Australian experiment appears to have failed, for the time being, at least. That is, while a definite small production has been established, climatic conditions appear to have been proven unsuitable for planting on a scale that would enable the country to compete in the long run with American cotton. In Uganda, however, things are very different; the British Colonial Office reports brilliantly successful results, production last year having been double that of 1921 with prospects of increase whose limits are not yet in sight.

Undoubtedly, the retention of American cotton prices at their present levels would be a constant stimulus to this development. The privileged status of the American cotton planter has been largely due to his natural monopoly of the peculiar combination of soil, climate, drainage conditions, and the like which alone appear to favor the growth of the American medium-length fiber. Should similar conditions be found, or be made, to prevail elsewhere, particularly in undeveloped regions, the American producer would face some serious problems.

It is hard to see how an American planter, paying American wages, rents (based on the market price of land in America), and other running expenses on the American scale could compete successfully, other things being equal, with a British company working on a liberal concession and paying African native labor on the basis obtaining in that part of the world. What has saved the situation for the American planter has been the fact that "other things" were not equal; he had a decided advantage in accessibility to railroads and seacoast, in soil and other agricultural conditions over any territories hitherto tried, and the prices he obtained in the world markets were not so high as to encourage expensive and risky development work in the hope of obtaining an alternative source of supply.

At the present time, one by one these advantages are disappearing as Central Africa is being opened up, and agricultural conditions in certain districts closely resembling those in our cotton-growing states are being discovered. Before the war, when cotton sold at 10-11 cents and crops ranged as high as 14-16 million bales, there was little incentive to development; now the periodic threats of a cotton shortage alone would be enough to cause apprehension among the cotton spinners of Lancashire to warrant their making strenuous representations to their Government about the need of developing Great Britain's untapped cotton resources. Should this policy be carried further, as there is every indication that it will, in view of the high price and the short supply of American cotton (30 cents and 10 million bales), a really competitive world market in cotton would be established. Hitherto the competition has been entirely among buyers; with the opening up of African production there would also be competition among the sellers, and in this competition, as previously stated, it is hard to conclude that the American planter would not be compelled to make considerable price concessions.



All this, of course, lies in the future, and is, moreover, somewhat problematic, because of the uncertainty as to what the maximum developed productive capacity may prove to be in Uganda and the neighboring districts, but this future is being brought nearer every day that cotton stays at its present levels.

Future Production

An indication of what can be done in the way of developing for the production of high-grade cotton lands which had formerly been considered worthless was given some years ago when certain large tire-manufacturing companies began working in Arizona, irrigating the soil and preparing it for the cultivation of the (*Please turn to page* 841)

America's Expansion and South American Investments

Mutual Relations of Trade and Investment—Desirable South American Securities—Fiscal Records Examined

By MARTIN GOLDEN

HAD anyone predicted before the war that the United States would some day be looked to by South America as the great source of capital from which its industries and its governments would derive their needed supplies of fresh investment funds, it would have been very hard to believe. At that time, England and France were the acknowledged financiers of South America, with Germany a belated but energetic rival, while America, far from being a potential creditor, was itself a debtor to the banker-nations of Europe. Among the Government bonds of the larger South American states there is no record of any loan payable in dollar currency before 1921.

The change in this respect is a direct result of the war. The war ruined the currency of Germany, impaired seriously the credit of France, which has had to absorb tremendous amounts of capital from its own citizens' surplus funds to maintain its budgets, and handicapped England by a subnormal exchange rate until very recently. America, on the other hand, was put into a position where it could readily repay its former debtors, in addition lending them new money, and still being in a position where it had to look around for opportunities to reinvest the national surplus.

Experience Needed

As a result of the war, therefore, America and Great Britain appear to be the only two countries capable of supplying the requirements of South America for investment funds. American bankers and investors, however, are still relatively inexperienced in this kind of banking, and have made several mistakes in consequence. An instance in point was the recent flotation by a Philadelphia house of 5 million dollars of the bonds of a Brazilian city which was mortgaged up to the hilt, and which had defaulted on practically every obligation it had ever issued, under the style and title of a "First Mortgage Loan," alleged to precede every other charge on the municipal revenues.

Hispano-American finance has traditionally been a morass, in which the most astute banker and investor may well lose his way, unless guided by extreme conservatism. Because of the unsettled political conditions which have prevailed over most of its area for long periods at one time or another, many bond issues were put out illegally, or only semi-legally; loans were made which the country could not afford, for the personal revenue of the dictator of the moment, and which had to be repudiated later; excessive spreads were conceded bankers, thus loading up the issuing country with a burden for which it had received no equivalent in ready cash, and for other reasons some bonds of South American countries are to be regarded with a good deal of suspicion.

TEN SOUTH AMERICAN INVESTMENTS

Country	Character	Maturity	Price	Payable in	Listed
Argentina	6% Cedulas	Drawing	P. 350	Arg. pesos	Over-the-C'nter
Argentina	Gd. 5s, small, unlisted.	1945	$77	Gd. parity	Part Listed
Argentina	5-Year 7s	1927	101	Dollars	N. Y. Stk. Ex.
Bolivia	Ext. Secured Ref. 8s	1947	94	Dollars	N. Y. Stk. Ex.
Brazil	Sao Paulo Ext. 5s	1957	61	Gd. parity	Paris & London
Brazil	Sao Paulo Ext. 8s	1936	99½	Dollars	N. Y. Stk. Ex.
Chile	25-Year Gold 8s	1946	103½	Dollars	N. Y. Stk. Ex.
Colombia	External 6s	1947	65	Sterling	London
Colombia	6½% Notes	1927	94	Dollars	N. Y. Stk. Ex.
Uruguay	Sinking Fd. Gd. 8s	1946	105	Gd. parity	N. Y. Stk. Ex.

With the exception of Chile, there is scarcely a South American state of importance which has not at one time or another been in technical default on one or more of its bond issues. Where the Government itself has maintained payments, often its subdivisions, like provinces and cities, have been in default. Some of the more conspicuous cases are given herewith:

Argentina:
State of San Juan 5s of 1909, about 17% interest in arrears. Province of Buenos Aires: technical default on 4½% bonds of 1910, province wants to pay in French francs, bondholders claim Swiss francs.

Brazil:
Federal Government in complete default in 1898 and 1914, each time funding interest and suspending sinking fund. Latter is not in operation on most of sterling loans, constituting partial default. Among Brazilian states and municipalities in default on their debt are: States of Alagoas, Amazonas, Bahia, Para, and Espirito Santo; cities of Bahia, Para, Manaos, and Maranhao, of which total arrears of interest amount to 14 million dollars at par of Brazilian exchange.

Paraguay:
Bank moratorium and suspension of interest on loans in 1921, involving amount of $500,000.

Uruguay:
Rate of interest on Montevideo 6s of 1889, guaranteed by Republic of Uruguay, arbitrarily reduced to 5% without consent of bondholders, constituting virtual partial default.

Cases like the foregoing merely emphasize the necessity of caution in investing in South American bonds, they do not constitute a wholesale condemnation of South American bonds in general. In fact, in view of the high economic level and possibilities of development of many of these States, and the high yield obtainable on many well-secured issues, a little extra care in selection will often result in a highly desirable investment.

One of the most important things to consider in connection with the choice of a South American investment is the purpose for which the loan was originally floated. A bond issue whose proceeds were turned into railroad construction is by all means to be preferred to one intended to cover a long-standing deficit in the budget, or to erect a series of monuments or a "Teatro Nacional." Another point on which the prospective investor should fully inform himself is the nature of the security behind the bonds he intends to purchase. Either he or someone else qualified for the work should check

up on the major items of the official statement of security, where particular sources of revenue such as customs, export taxes, etc., are set aside for the debt service on some particular bond.

Discrepancies Uncovered

Some grotesque discrepancies are often uncovered by an examination of this sort between the official statement of expected revenue and the reasonable expectation based on a study of the past. A small Central American country recently offered to set aside $160,000 each year out of the revenue from patent fees for the service of a certain loan. The joker is that the country in question boasts of no industrial establishment of even mediocre importance, so that the interest of patentees in obtaining exclusive manufacturing rights in this country is of course nil and, correspondingly, the income from patent fees.

Similar situations often develop in governmental estimates of revenue from customs, where a further complication arises from the proverbial unreliability of Latin American trade statistics. Usually, however, there are ways of checking these matters up. In the case of a country which, according to its own figures, obtains 85% of its total importations from Great Britain, let us say, it is advisable to compare this with the export figures of Great Britain for the particular country in question.

Where part of the revenue dedicated to the service of a particular loan is based on taxes on industry, of one kind or another, such as income taxes, sales, export or surplus taxes, the incidence of this new taxation made necessary by the issue of a new bond must be considered. Assuming that a country's national wealth is largely based on its exports of leather, say, it is evident that an export tax on leather will reduce the ability of this country's leather industry to compete in the world's markets and, should the tax be heavy, may result in crippling it. Moreover, there are often cases in which the same industry is taxed in several different ways to apply to the interest on different bond issues.

In the case we have assumed, of a country whose economic basis is the export trade in leather, one bond may be "guaranteed by the export tax on leather," another by an "internal sales tax on products of the grazing industry," a third by "commissions accruing to the Government on compulsory brokerage of articles dealt in on the Hide and Leather Exchange" (the latter a typical expedient, by the way), and so the same industry, taxed in many different ways to support the burden of different loans, may prove unable to stand the cumulative strain. On several occasions it has happened that an industry overtaxed in this way broke down and, being vital to the industrial health of the nation, compelled the latter to go into partial or complete bankruptcy.

Things to Know

Before buying bonds of any country, the investor should familiarize himself with certain additional facts about the country in general. These include the relative importance of agriculture, grazing, mining, industry, etc., in the national economy, which will indicate the relative stability that may be expected of the country's finances. One great reason for the poor financial record of Brazil, for instance, is the fact that so large a part of the country's resources consist of rubber and coffee, which have to be exported, and so are largely dependent on world trade conditions and, in addition, fluctuate widely in price. The investor will prefer a country with a well-developed home industry, capable of using up a large part of the national production of raw materials and so stabilizing to some extent the fluctuations in world economic conditions.

Other factors that are worth looking into include the relative predominance of the white race in the country in question, as against the Indians, negroes and mixed breeds, on the ground that countries largely populated by white people are safer to invest in as they are likely to exhibit a higher level of economic activity. The financial strength of the country, as displayed by its ability to balance both its fiscal and its commercial balances, is also worth studying, as well as its financial record with respect to amount of foreign and internal loans, their security, how they have been treated in the past, etc.

Estimates of national wealth and of national income are, as a rule, worthless for the practical purpose of determining whether or not to invest in a particular bond, and so is the much-discussed "moral risk" involved in any particular country. Brazil was just as "moral" in 1914 after defaulting on its bond issue as it was in 1913 before it defaulted; the only difference was that the coffee market had gone down a good many points in the meantime. Continued high prices for coffee and rubber would have a remarkable stimulating effect on the financial "morals" of many Brazilian provinces and cities now in default.

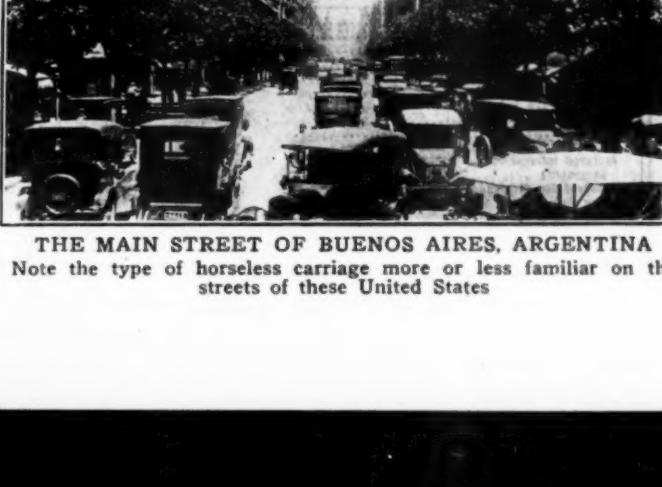
When the questions have been decided to the investor's satisfaction, he should make sure that the bond he chooses is specifically payable in dollars or, if in other currency, at gold parity, unless he is willing to assume the risks of exchange depreciation in such South American bonds as are payable in European currencies. The controversies now being engaged in by many holders of South American issues, who are being paid interest in French paper francs at 6 cents when they had expected payment on the basis of 20-cent francs is a case in point. The other technical questions, such as liability of the bond interest to taxation in the country of issue, transfer and stamp tax, etc., should also be kept in mind.

The Cedula

An interesting variety of bond, common in Europe, but relatively unknown here, is the "cedula," of which the best issues are those of Argentina. These are issued by the Banco Hipotecario Nacional, or National Mortgage Bank, and bear interest at the rate of 5 or 6%. They are doubly guaranteed not only by the national government, but also by the issuing bank, under elaborate safeguards to protect the holders. The government, for instance, recognizes no secret mortgage, permits no lien to precede the mortgage of the "cedula," and insists that the mortgage be signed before a notary public, who demands a certificate stating that the property is free from encumbrances, and then registers it.

They are issued in series, running about 33 years, and carry a sinking-fund provision of 1% annually for the withdrawal of the bonds by drawings at par or by purchase in the open market if below par. Their strength may be judged from the fact that they must never amount to more than 50% of the value of the property under mortgage, and where the amount involved is large, or the borrower is a corporation or engaged in the amusement business, the maximum permitted may be 40 to 25% of the value. Their record is unusually good, and the total amount outstanding last year was about 264 million dollars at current rates of ex-

(*Please turn to page 842*)



THE MAIN STREET OF BUENOS AIRES, ARGENTINA
Note the type of horseless carriage more or less familiar on the streets of these United States

Bonds

Investing in Farming via Bonds

A Discussion of the Underlying Investment Merits of Federal Land Bank and Joint-Stock Land Bank Bonds

By THOMAS B. PRATT

DURING the year 1922 the Federal Bank System, including both the Federal and the Joint Stock Land banks, grew so rapidly that the offering of bonds of the two classes of banks became an important factor in the year's financing.

The total amount of loans made by the twelve Federal Land banks and the sixty-three Joint Stock Land Banks, was $362,986,179, a good proportion of which was financed by the investing public through the purchase of bonds secured by these loans.

It is only necessary to compare these figures with the total for 1921 to obtain an idea of the record growth of these institutions. In that year the total amount of loans made by both the Federal and the Joint Stock Land banks was $100,364,876.

The Federal Farm Loan Act was approved July 17th, 1916, and while the Federal Land Banks were almost immediately organized in accordance with the provisions of the Act, yet the system did not get a real start until 1921. The principal reason for this was the opposition to the system by the old type of farm-mortgage brokers, whose business was due to be materially restricted by the organization of both the Federal and Joint Stock banks. It is a surprising fact, in considering the advantages of the Federal Farm Loan Act, and in reviewing the history of land-bank operation in other countries, that the United States had not developed a system of this character many years ago.

The theory upon which Federal and Joint Stock Land banks are organized and operated is not a new one, such banks having been in existence in other parts of the world for periods ranging up to 150 years, and in every case the establishment of such banks has been a pronounced benefit, not only to the farmers in such countries, but also has been an important factor in the agricultural and commercial development of such countries.

Eliminating the Farm-Loan Broker

In this country, however, the farmer has been continuously at the mercy of the farm-loan broker, many of whom have been of an unscrupulous class. Under the old system, the farmer in the United States who desired to raise capital through a mortgage on his farm had to go to such brokers from whom he was enabled to obtain a loan for periods ranging from two to five years. For such loans he paid the rate of interest prevailing in his particular locality, and he also was forced to pay a commission, which in most cases was exorbitant, to one or more parties. At the maturity of his loan he was again at the mercy of the mortgage broker, and he was forced once more to pay a large commission for renewing his loan. This situation existed notwithstanding the fact that in the whole history of financing the most stable investment has been the mortgage upon producing farm lands.

With the American bond buyer it has been a somewhat difficult problem to educate him as to the stability of farm values, and yet the record of land banks in other countries is sufficient evidence of their high grade.

The first land bank was organized in Prussia in 1760, or 153 years ago. Since that time the system has extended to all parts of the world, and among the best known land bank systems are those of Argentina and Chile. The bonds issued by such banks have an unassailable record. In Germany such bonds have withstood periods of financial depression and political and economic disturbances even better than the bonds of the German government. In Argentina, during the thirty-seven years of the National Mortgage Bank's operation, there has never been a delay in the payment of either principal or interest on the bonds of that bank, known as Cedulas, except on one series of gold bonds, which during the Baring panic of 1890 were in default for a short period, but solely for the reason that the interest was payable in gold and gold was unobtainable. In other words, this was a technical default, and not due to any fault of the bank.

The opposition of the farm-mortgage brokers in the United States to the Federal Farm Loan Act, as stated above, delayed the progress of the banks in this country to a considerable degree.

Tax-Exempt

The Congress in passing the Act desired to give the farmer the opportunity of obtaining capital at as low an interest rate as possible, and, therefore, made the

CONSOLIDATED STATEMENT OF CONDITION OF THE 12 FEDERAL AND 63 JOINT STOCK LAND BANKS

(As of December 31, 1922)

ASSETS

		Federal Land Banks	Joint Stock Land Banks
Net mortgage loans		*$639,486,434.55	$218,775,291.87
Accrued interest on mortgage loans (not matured)		10,436,755.08	3,688,972.89
United States Government bonds and securities		35,951,997.29	28,662,474.20
Accrued interest on bonds and securities (not matured)		440,948.24	307,616.36
Farm loan bonds on hand (unsold)		1,617,195.00	4,997,708.30
Accrued interest on farm loan bonds on hand (not matured)		11,756.20	45,137.17
Other accrued interest (uncollected)		44,565.18	8,930.65
Notes receivable, acceptances, etc		377,439.39	....
Cash on hand and in banks		5,845,158.91	9,513,809.34
Accounts receivable		212,342.66	284,500.52
Installments matured (in process of collection)		1,345,358.88	521,396.31
Banking houses		648,984.46	360,394.37
Furniture and fixtures		183,765.44	110,766.89
Other assets		756,808.07	1,488,733.75
Total assets		$697,358,489.33	$268,765,732.62
LIABILITIES			
Capital stock:			
United States Government	$4,264,880.00		
National farm loan associations	32,602,215.00		
Borrowers through agents	126,965.00		
Individual subscribers	3,890.00		
Total capital stock		$36,997,950.00	$24,570,731.67
Surplus paid in		....	832,830.43
Reserve (from earnings)		3,000,500.00	1,276,190.51
Surplus (from earnings)		100,000.00	270,936.91
Farm loan bonds authorized and issued		642,708,375.00	212,980,100.00
Accrued in. on farm loan bonds (not matured)		5,013,769.27	1,847,422.86
United States Government deposits		500,000.00	....
Other accrued interest payable		....	61,041.68
Notes payable		2,200,000.00	18,561,781.74
Due borrowers on uncompleted loans		425,226.63	3,362,247.90
Amortization installments paid in advance		956,398.75	235,163.63
Matured interest on far mloan bonds (coupons not presented)		776,115.50	221,077.55
Reserved for dividends unpaid		480,248.37	....
Other liabilities		583,200.28	3,626,448.53
Undivided profits		3,616,705.53	919,759.21
Total liabilities		$697,358,489.33	$268,765,732.62

* Unpledged mortgages (gross), $17,852,167.62.

bonds issued against mortgages instrumentalities of the United States Government and exempt from all taxation. A suit was immediately started to test the constitutionality of the Act, which was finally upheld by the Supreme Court of the United States, and since that time the system has progressed at a remarkable rate.

There is considerable discussion at the present time in regard to the whole question of tax-exempt bonds, and the present agitation may in time lead to a constitutional amendment which would do away with such tax exemption. Such amendment, however, would not affect any bonds that have been already issued, nor is it likely that it would prove a very great handicap to the banks organized under the Act. It will be some time before such an amendment could be adopted, and before then it is a fair certainty that the bonds issued by these banks will have obtained their true place in the investment field. At the present time the tax-exempt feature is a necessity for the successful operation of the banks. The reason for this is that the law provides that the banks shall not charge the farmer more than 6% interest and that their profit shall be limited to 1% difference between the rate the farmer pays and the rate of the bonds sold against the mortgages. The result is that the banks are practically required to issue 5% bonds and in the sale of such bonds with such a low rate of interest the tax-exempt feature is an important factor.

It is impossible in the brief space of this article to give a clear idea of the protection given to the purchasers of farm-loan bonds by the Farm Loan Board. The provisions of the law are very strict and limit the banks to certain prescribed practices in making loans and in issuing bonds against such loans. The Farm Loan Board, a division of the Treasury Department, makes the most exhaustive investigation of each loan made, and also makes an appraisal of every farm that is to be mortgaged. These appraisals are made by experienced men, who not only have a general, thorough knowledge of land values in the districts in which they operate, but who also compile extensive statistics regarding values of all farms in their territory. The banks are permitted to loan up to 50% of the appraised value, but the practice has been to limit loans to around 40%, and it is an interesting fact in connection with the exceptionally small number of foreclosures, that the sale price of such farms has been greater than the appraised value.

Federal Land Banks vs. Joint Stock Land Banks

There has been considerable discussion recently as to the relative merits of the bonds issued by the Federal Land Banks and those of the Joint Stock Land Banks. When it is remembered that the main factor in the security of the bonds of both types of institutions is the farm lands themselves, this discussion is not a particularly important one. The bonds of both Federal Land Banks and the Joint Stock Land Banks are absolutely sound. They are both protected by an identical process of making and protecting loans. The main difference between the two types of institutions is that one is a mutual organization, and the other a privately owned bank.

The Federal Land Banks obtain their business through organizations known as National Farm Loan Associations. These associations are organized by farmers in various localities throughout the United States. These farmers apply to the Federal Land Bank in their district for a charter, and for loans upon their farms. Five per cent of the amount of their loans is set aside as their capital stock and is deposited with the Federal Land Bank in their district as partial security for their loans. This capital stock of the associations has a double liability. The association automatically becomes a stockholder in the Federal Land Bank, but such stock does not carry double liability. The stock of the Federal Land Bank, therefore, amounts to 55% of the total loans made by such banks. Each Federal Land Bank agrees to guarantee the bonds issued by all the twelve land banks. This guarantee, however, is of doubtful merit, as is also the double liability of the stock of the National Farm Loan Associations. But as the provisions for making loans are so strict there is absolutely no reason to believe that either of these two so-called factors of safety will ever be tested in the courts of the country. The principal feature of the Federal Land Bank System is that the borrowing farmers are the stockholders; that the management of the banks is in the hands of men selected

(Please turn to page 838)

Three Types of Bond Protection

Factors of Strength That May Sustain a Sagging Bond Market—High Yield, Convertibility and Closeness to Maturity Important

By A. J. SMITH

AT the present time the simon-pure investor in bonds for income only has a particularly difficult time in choosing good securities for his purposes. Not only have good bonds been going up to such an extent that the danger line in yields, above which bonds are apt to have a more or less objectionable speculative character, has sunk to 6%, where formerly "Seven per cent and safety" might well have been the investor's slogan. In addition, if he is to heed the warnings of reputable economists and students of business conditions, we are nearing if not actually in a period of rising prices, increasing profits and tighter money eventually, in short, a mild case of inflation. Under the circumstances, he will be inclined to shy somewhat at purchasing high-grade standard bonds of distant maturity, fearing that yields may go up, and bond prices go down, in the approaching era of tighter money, which will of course mean a loss in his capital investment.

To avoid this contingency and yet secure a satisfactory yield, the investor has several alternatives. He may invest in a convertible bond, so that if stocks go up his bond will go up with them. He may also choose very carefully a bond which seems to be selling too low, and yielding too much, so that the expected advance in the price of that particular bond will neutralize the effects of a sagging tendency in the general bond market. In the third place, he may choose a well-secured note or bond so close to the date of its maturity that the prospect of its near redemption at par will counteract influences that might tend to lower the price of the bond. The three bonds discussed in the following paragraphs illustrate all three types of protection against a possible weak bond market.

MARKET ST. RAILWAY CO. FIRST 5s These bonds are a direct obligation of the company, and are secured by a direct first mortgage on all property, rights and franchises. Junior to them are 31.7 millions of three classes of preferred stock and common, in addition to 4.5 millions of collateral trust 6% notes which

VITAL STATISTICS OF THREE GOOD BONDS

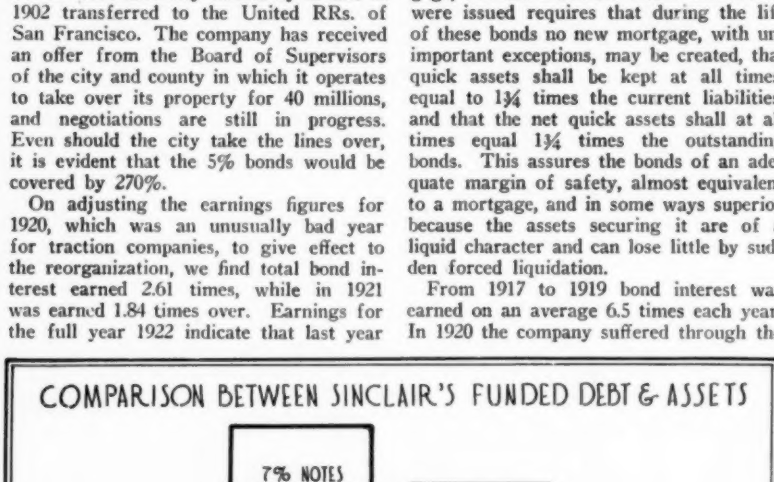
	Amount	Securities, Senior	Securities, Junior	Times Interest Earned 1919	1920	1921	1922	W'k'g Capital Last Report
Wilson & Co. Conv. 6s, 1928..	$13,200,000	$23,047,000	$30,328,600	2.15	0.61	Def. $6,034,821	*1.30	$25,628,004
Market St. Ry. Co. 1st 5s, '24..	9,730,900	....	31,900,100	....	2.61	1.84	3.00	886,957
Sinclair Cons. O. C. 7½s, '37...	45,000,000	....	266,018,441	....	6.98	Def. 3,736,878	*7.00	46,811,656

* Estimated.

mature four months before the 5s, and are secured by deposit of 5.2 millions of the latter. The property and franchises securing this property are carried on the company's books at 46.8 millions, compared with a total of the 5s outstanding of 14.8 millions, which includes the bonds pledged for the note issue.

The company has operated since 1921 the street railroads in San Francisco, which were formerly owned by it and in 1902 transferred to the United RRs. of San Francisco. The company has received an offer from the Board of Supervisors of the city and county in which it operates to take over its property for 40 millions, and negotiations are still in progress. Even should the city take the lines over, it is evident that the 5% bonds would be covered by 270%.

On adjusting the earnings figures for 1920, which was an unusually bad year for traction companies, to give effect to the reorganization, we find total bond interest earned 2.61 times, while in 1921 was earned 1.84 times over. Earnings for the full year 1922 indicate that last year



interest requirements were met 3.02 times over.

Working capital at the end of 1921 amounted to nearly $900,000, and this was probably increased by the good earnings of last year. The company should, therefore, have little difficulty in refunding its bonds as they mature, while there is the possibility that the city may take the property over at a price between its own valuation of 40 millions and the company's figure of 51 millions. In this case the bonds would be retired before maturity at par.

They are now selling around 92, at which price they yield 5.43% without counting the appreciation as the bond approaches maturity, and the unusual figure of 10.93 including this item. It seems to be one of the most desirable of all the short-term securities now on the market for a business man's investment.

WILSON & CO. CONV. 6s

This issue, due 1928, is junior to the first mortgage 6s, due 1941, of which there are 23 millions outstanding. There were originally issued 16.6 millions, of which 3.4 millions had been retired by operation of the sinking fund up to April 1, 1922. At the latest balance sheet, of the end of 1921, the net assets applicable to this issue amounted to 64.4 millions, providing a cover of over 400%. Securities junior to this issue amount to 30.3 millions of common and preferred stocks, while there are 9.6 millions of convertible 7½s on a parity with the 6s. They are not secured by any mortgage, but the indenture under which they were issued requires that during the life of these bonds no new mortgage, with unimportant exceptions, may be created, that quick assets shall be kept at all times. equal to 1¾ times the current liabilities, and that the net quick assets shall at all times equal 1¼ times the outstanding bonds. This assures the bonds of an adequate margin of safety, almost equivalent to a mortgage, and in some ways superior because the assets securing it are of a liquid character and can lose little by sudden forced liquidation.

From 1917 to 1919 bond interest was earned on an average 6.5 times each year. In 1920 the company suffered through the business readjustment, in which the packing industry was among the first to share, and earned only 60% of its interest requirments, while in 1921 it showed a deficit of 6.2 millions before interest charges. Last year it is believed interest charges were fully covered, and possibly preferred dividends earned.

This poor showing in the last three years must not be considered as reflecting on the intrinsic earning power of the company, however, as it was common to all the companies in the packing industry and was the result of unusually adverse conditions which are not likely to be repeated again for some time.

The company is strong enough financially to ride through a prolonged period of storm, having as of December 31, 1921, cash amounting to 5.4 millions and an excess of current assets over current liabilities of 25.6 millions, or slightly over the indenture requirements providing for the safety of these bonds.

The convertible feature of these bonds, giving a call on the stock for another 5½ years at $100 a share, does not bid fair to be of any immediate interest, in view of the fact that the stock is selling around $40 a share, and has never been as high as 100 since 1919. Over such a long period of time, however, it is impossible to say what may happen, and in the event of some unexpectedly bullish development either in the stock or in the general market within that time, may prove to be of some value.

The bonds are now selling around 95, at which price they yield 7.11%, which makes them an attractive investment for those who do not require the very highest degree of safety.

SINCLAIR COLLATERAL GOLD 7s

The Sinclair Consolidated Oil Corporation first lien collateral gold 7s series "A," due March 15, 1937, may be had around the prevailing price of par, where they have been for some time, offering a yield of about 7%.

Ordinarily such a high yield in a period when most good bonds are selling at prices to yield 6% and less, would seem to indicate a speculative character. That this is not true of the Sinclair issue is due to two conditions: one, the fact that this is a short-term issue because of the callable privilege which can be exercised commencing March 15, 1927, and second, the fact that the bond in itself is inherently strong and amply protected by assets and earnings, as will be demonstrated.

The bonds of which there are outstanding 45 millions are secured by pledge of 90 millions of first mortgage 7% bonds of subsidiary companies, and by 50% each of the total outstanding stocks of the Sinclair Pipe Line Company and the Sinclair Crude Oil Purchasing Company, the remaining 50% of stock being owned by the Standard Oil of Indiana.

Asset value behind these bonds is unusually high, being estimated at over five times the total face value of the outstanding 7s. The company is also the possessor of liquid funds in excess of the amount of these bonds.

On the earnings side, the 7s are equally strong. Thus for the five years ended Dec. 31, the consolidated net earnings would have been equal on the average to nearly seven times interest requirements annually, had these bonds been outstanding at the time. In the year just ended, net earnings were probably over eight times interest requirements.

The company is in a sound financial and business position and the fact that it placed the common stock on a dividend basis last year would seem to indicate confidence in the ability of the company to maintain such earnings and dividends. In any case, it is hard to conceive of conditions ever deteriorating to the extent to make it impossible for the company to cover the interest charges on these bonds.

At the current price of par, they offer an unusually good business man's investment. The bonds are callable at 107½ on or before March 15, 1927, and thereafter at 105 on or before March 15, 1932, 102½ less ½% for each subsequent year. These callable prices are at points sufficiently high to permit a fair profit at these prices and a good yield until the bonds are called.

BOND MARKET IN IRREGULAR TREND

Conflicting Tendencies Visible—The Rise in Sugar Bonds—Activity in Speculative Issues

THERE was no uniform tendency in the bond market during the past two weeks; some classes of bonds exhibiting marked strength and others being dull and irregular. Each group and subdivision of a group seemed subject to special influences of its own. In the gilt-edge issues, for example, the railroad bonds were quite strong, some fairly large gains being made here. Among the advances were 4 points in West Shore 4s and nearly 2 points in B & O 3½s. Industrials, however, showed a tendency toward lower levels though the losses were inconspicuous. On the other hand, high-grade public utilities, as shown by the accompanying table, were firm to strong with Philadelphia Company 1st 6s the feature, these bonds gaining several points. Incidentally, this issue is one of the most attractive on the list for investment purposes.

Middle-Grade Bonds

The middle-grade issues were just as irregular as the gilt-edge class. Among the gilt-edge rails, the "Big Four" 4½s were off 1½ points, at the same time that the Chicago & Eastern Illinois 5s gained a point. The industrials of this group, however, showed distinct strength, particularly the sugar issues which were well bought on account of the rise in the commodity. South Porto Rico 7s, recommended in these columns on several occasions, gained several points and are still attractive at the price quoted. Wilson 1st 6s were in demand, as were Goodyear Tire 8s and Computing Tabulating Recording 6s. The middle-grade utilities were distinctly irregular, Utah Power & Light 5s losing a few points with Brooklyn Union Gas 5s up about a point.

Speculative Issues Make Some Large Gains

The speculative rails, on the whole, gave a good account of themselves. St. Louis-San Francisco adjustment 6s gained about 2 points and such issues as the Erie general 4s and Chicago Great Western 4s were also strong. In the speculative industrials, Chile 6s and Cuba Cane Sugar 7s were the leaders gaining 3 and 5 points respectively. The speculative utilities were comparatively unchanged.

As seen from the above, there was no visible underlying tendency affecting the bond market, as a whole. Speculative enthusiasm on the scale witnessed last summer is undeniably missing and the market has a "tired" appearance. There are, however, a number of special opportunities left remaining in the bond group but as a class they will not be found among the high-grade issues. They will be mostly found in convertible bond issues and in second-grade and speculative issues whose position will be influenced by the future earnings of their respective companies.

BOND BUYERS' GUIDE

		Apx. Price	Apx. Yield	Int. Earned on entire funded debt‡
	GILT EDGE.			
	(e) Railroads.			
1.	Balt. & Ohio S. W. Div. (b) 1st Mtg. 3½s, 1925	93⅞	6.18	.80‡
2.	Ches. & Ohio (a) Genl. Mtg. 4½s, 1992	85⅛	5.32	2.20
3.	Delaware & Hudson (a) 1st & Ref. 4s, 1943	88	4.95	1.65
4.	Southern Pacific (b) 1st Ref. 4s, 1955	80¼	4.82	1.65
5.	Chic., Burl. & Quincy (a) Genl. Mtg. 4s, 1958	87⅜	4.76	2.40
6.	N. Y. Central Genl. Mtg. 3½s, 1997	75¾	4.70	1.80
7	N. Y., Chic. & St. Louis 1st Mtg. 4s, 1937	89½	5.02	2.35
8.	Atlantic Coast Line (a) 1st Mtg. 4s, 1952	88	4.77	1.55
9.	Pennsylvania (a) Genl. Mtg. 4½s, 1965	92	4.98	2.20
10.	West Shore (a) 1st Mtg. 4s, 2361	83	4.82	**
11.	Norfolk & Western (c) Cons. 4s, 1996	91	4.43	3.35
12.	Central R. R. of N. J. (a) Genl. Mtg. 5s, 1987	105¼	4.73	1.40
13.	Chic., R. I. & Pacific (a) Genl. Mtg. 4s, 1988	81	4.98	1.00
	(e) Industrials.			
1	Armour & Co. (a) R. E. 4½s, 1939	88¼	5.62	†
2.	General Electric (b) Deb. 5s, 1952	101¼	4.93	6.75
3.	International Paper (a) 5s, 1947	86½	6.07	5.55
4.	Indiana Steel (a) 5s, 1952	101	4.93	16.70
5.	Liggett & Myers (aa) Deb. 5s, 1951	97½	5.16	4.65
6.	Baldwin Loco. (a) 5s, 1940	101¼	4.89	3.50
7.	National Tube (a) 5s, 1952	100¼	4.95	**
8.	Corn Products (a) 5s, 1934	99¼	5.08	60.70
9.	U. S. Steel (a) 5s, 1963	103¼	4.81	8.70
	(e1) Public Utilities.			
1.	Duquesne Light (b) 6s, 1949	104⅛	5.70	3.40
2.	American Tel. & Tel. (c) 5s, 1946	98½	5.11	4.80
3.	Philadelphia Co. (c) 6s, 1944	101⅛	5.88	3.50
4.	N. Y. Telephone (b) 4½s, 1939	94	5.04	**
5	Montana Power (c) 5s, 1943	97	5.24	2.90
6.	Col. Gas & Electric (a) 5s, 1927	96¼	6.07	4.15
7.	N. Y. G., E. L., H. & P. (a) 5s, 1948	99¼	5.05	2.10
8.	Pac. Tel. & Tel. (a) 5s, 1937	98¼	5.18	1.75
	MIDDLE GRADE.			
	(e1) Railroads.			
1.	Cleve., Cin., Chic. & St. L. (a) Deb. 4½s, 1931	93	5.50	3.40
2.	Ches. & Ohio (b) Conv. 5s, 1946	94⅛	5.43	1.55
3.	Missouri, Kansas & Texas Prior Lien 5s, 1962	82	6.23	.75
4.	St. Louis-San Fran. (a) Prior Lien 4s, 1950	68⅛	6.44	1.60
5.	Balt. & Ohio (b) 1st Mtg. 4s, 1948	78	5.64	0.80
6.	Illinois Central (b) Col. Trust 4s, 1953	84⅛	5.05	2.25
7.	Pere Marquette (c) 1st Mtg. 5s, 1956	96	5.26	2.05
8.	Kansas City Southern (a) 1st Mtg. 3s, 1950	68	5.22	1.70
9.	Southern Pacific (b) Col. Trust 4s, 1949	82⅞	5.20	2.40
10.	St. Louis Southwestern (a) 1st Mtg. 4s, 1989	77⅛	5.22	2.00
11.	Chic. & Eastern Ill. (c) Gen. 5s, 1951	81	6.48	2.10
	Industrials.			
1.	South Porto Rico 1st Mtg. 7s, 1941	100⅛	6.93	5.50
2.	Sinclair 1st Lien, Col. Tr 7s, 1937	100¼	6.97	3.70
3.	Wilson & Co. (a) 1st 6s, 1941	101	5.91	2.10
†4.	Adams Express (b) 4s, 1948	80	5.48	2.00
5.	Comp. Tab. & Recording (b) 6s, 1941	98	6.18	5.45
6.	Int. Merc. Marine (b) 6s, 1941	87½	7.22	5.15
f7.	Lackawanna Steel (c) 5s, 1950	91½	5.61	6.90
8.	U. S. Rubber (c) 5s, 1947	88⅝	5.89	2.35
9.	Amer. Smelting & Refining (c) 5s, 1947	90⅛	5.75	5.00
10.	Goodyear Tire (c) 8s, 1941	117	7.00	9.55
	(e) Public Utilities.			
1.	Public Service Corp. of N. J. (a) 5s, 1959	85	6.02	1.50
2.	Detroit Edison (c) Ref. 5s, 1940	96½	5.32	2.80
3.	Brooklyn Union Gas (a) 5s, 1945	99	5.07	*1.35
4.	Northern States Power (b) 5s, 1941	91⅛	5.80	1.80
5.	Brooklyn Edison (c) 5s, 1949	96⅛	5.27	2.20
6.	Utah Power & Light (a) 5s, 1944	8[illegible]½	6.13	1.80
7.	Cumberland Tel. & Tel. (b) 5s, 1937	93½	5.68	1.70
	SPECULATIVE.			
	Railroads.			
1.	Western Maryland (a) 1st Mtg. 4s, 1952	63¼	6.87	.70
2	Iowa Central (a) 1st Mtg. 5s, 1938	73	8.08	....
3.	St. Louis Southwestern (a) Cons. Mtg. 4s, 1932	75⅞	7.02	2.00
4.	St. Louis-San Francisco (a) Adj. Mtg. 6s, 1955	79¼	7.72	*1.90
5.	Mo., Kansas & Texas Adj. Mtg. 5s, 1967	62¼	8.12	.75
6.	Erie (a) Genl. Lien 4s, 1996	47⅝	8.42	0.70
7	Southern Railway (a) Genl. Mtg. 4s, 1956	68¼	6.29	1.85
8.	Missouri Pacific (b) Genl. Mtg. 4s, 1975	61⅛	6.64	.90
9	Carolina, Clinch. & Ohio (c) 1st Mtg. 5s, 1938	90	6.02	1.40
10.	Chic. Gt. Western (a) 1st 4s, 1959	53¼	7.88	....
	Industrials.			
1.	Chile Copper (b) 6s, 1932	102	5.71	3.80
2.	American Writing Paper (a) 6s, 1939	84	7.75	1.90
3.	American Cotton Oil (a) 5s, 1931	78⅛	8.80	3.15
4.	Cuba Cane Sugar (c) 7s, 1930	93	8.35	1.80
	Public Utilities.			
1.	Hudson & Manhattan (c) Rfdg. 5s, 1957	82⅛	6.26	*1.00
2.	Intr. Rapid Transit (a) 5s, 1966	71¼	7.17	1.60
3.	Third Avenue (b) Refg. 4s, 1960	60⅛	6.99	*1.20
4.	Va. Railway & Power (a) 5s, 1934	85½	6.90	1.90

(aa) Lowest denomination, $5,000. (b) Lowest denomination, $500. (d) Lowest denomination, $50
(a) Lowest denomination, $1,000. (c) Lowest denomination, $100.

(x) This issue was created on May 1, 1921. † This issue, which represents the entire funded debt of the company, was created on Nov. 1, 1920. * Number of times over interest on these bonds was earned. ** Earnings are not reported separately. ‡This represents number of times interest on the companies' entire outstanding funded debt was earned, based on actual earnings of last five years. Interest on this issue was fully covered. (e) Bonds in this group should no longer be purchased. They appear now as a matter of record only. (e1) Bonds in this group should no longer be purchased with the exception of Duquesne Light 6s, Phila. Co. 6s, M., K. & T. 5s, Frisco 4s, & Chi. & E. Ill. 5s. (f) These bonds should no longer be purchased. They appear as a matter of record only.

A Forecast of 1923 Railroad Earnings

Prospect for Freight and Passenger Traffic—The Question of Wages—The Dividend Outlook and the Recapture Clause

By GEORGE N. OLIVER

Note: Mr. Oliver is well known as a railroad statistician, and his summarized conclusion concerning the outlook for rail earnings in 1923 deserves serious consideration. His estimates are based on detailed operating and financial reports of the Interstate Commerce Commission. The detailed processes which were used in arriving at the estimates have been omitted as they would have unnecessarily encumbered the article without giving compensating value.

THE railroads had another disappointing year in 1922, their net income after taxes and rents amounting to but $775,000,000, equal to 4.1% upon the investment value. This is an improvement over 1921 when the rate earned was 3.3%, but much below the average of the three years preceding federal control (1915, 1916 and 1917), when the rate earned averaged 5.7%.

For several years the railroads have received one jolt after another just as they appeared to be getting on their feet. The coal strike, the shopmen's strike and the general rate reduction account largely for the poor showing of 1922.

The present and prospective holders of railroad securities are naturally interested in knowing how the roads stand, and what the prospects are for 1923. Every indication points to a strong comeback. Strike troubles appear over. General business prospects for the future are good. Traffic, as indicated by recent car-loading statistics, shows substantial increases over 1922.

Equipment Facilities

The railroads are prepared to handle a large volume of traffic. They now have more serviceable locomotives than during the peak traffic periods of 1920 and approximately the same number of serviceable freight cars. Large numbers of new locomotives and new cars will be placed in service during the course of the year.

Consideration of all phases of the railroad situation indicates (in the absence of adverse unforeseen circumstances such as a further rate reduction) that, under the present rate and wage levels and material prices and with the prospective volume of traffic, the railroads, as a whole, will earn close to 6% on their value in 1923. Earnings of individual roads will, of course, fluctuate widely.

The prosperity of the country rests upon a properly functioning transportation system, which cannot function properly unless it receives a sufficient income above all expenses to adequately reward investors and to attract new capital for the purpose of making the needed improvements demanded by a growing service. A fair return upon value will provide the income required by the railroads, and the Interstate Commerce Commission has been delegated by Congress to so adjust rates that a fair return may be earned, and that body has set that figure at 5.75%.

The analysis which follows demonstrates that the fair return will be earned in 1923, and that bond interest and dividends will be earned by a larger margin than for any year in railroad history with the possible exception of the year 1916. As a result, railroad credit will be reestablished on a firm basis, enabling the roads to finance much-needed improvements.

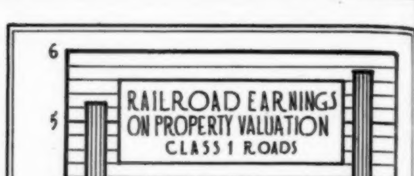
Volume of Freight Traffic

Volume of traffic is of paramount importance to the railroads. Added traffic can usually be handled at a fractional increase in cost. While the volume for 1922 was 10% higher than in 1921, it was less than for any other year since 1915. During the period, April to August, 1922, the tonnage carried was even less than in 1921.

Reports of cars loaded for January this year indicate an increase over 1922 of about 25%, and the loadings for the entire month of January 1923 (usually a light traffic month) were greater than for any month in 1922 prior to August. A study of the trend of loadings viewed in the light of business conditions, indicates that from 20% to 25% increase in freight traffic may be expected up to the end of August, 1923. However, even though the latter part of 1923 should not quite come up to 1922, which was a heavy traffic period, an increase of at least 10% for the entire year 1923 over 1922 may be expected.

Volume of Passenger Traffic

There were fewer passengers transported in 1922 than in any year since 1915, and even fewer than in 1921, yet substantially the same number of trains were run. The high rates and automobile competition had something to do with the situation, but so did adverse business conditions and the shopmen's strike. There was a profound slump in passenger traffic in the early months of 1922, then as traffic started to revive in June, the strike came on, and materially curtailed travel in July, August and September, usually the big passenger traffic months of the year.



With the general improvement in business conditions, it appears that at least a 10% increase in passenger traffic for 1923 over the sub-normal year 1922 may be expected. With such an increase, the volume of traffic will still be less than for any year 1916 to 1920.

Effect of Increased Volume of Traffic

Experience of the past shows that substantial increases in freight traffic permit the filling out of many trains which would otherwise run light, so that an increase in traffic is rarely accompanied by a proportionate increase in train-miles, nor, hence in cost. Railroad experts almost uniformly agree that an increase in volume is accompanied by only half as great an increase in cost.

There is even a proportionately less increase in passenger train costs with an increase in the volume of passenger traffic, because trains are run according to schedule regardless of the number of passengers traveling. Occasionally, extra cars are added and additional sections of trains run, but as a usual thing, the average passenger train is capable of carrying a material increase in passengers without added

cost. This applies particularly to the present situation, as passenger trains were loaded lightly in 1922.

For the purpose of this analysis it is assumed that there will be an increase of 10% in the volume of freight, passenger, mail, and express traffic in 1923, and that this will be accompanied by a 6% increase in operating expenses. Gross revenues in 1922 amounted to approximately 5.55 billions. The rate reductions of July 1, 1922, if in effect throughout the year would have reduced these revenues by 150 millions, or to 5.4 billions, which reflects the 1922 volume of traffic at present rate levels. Gross revenues for 1923 will be 10% or 540 millions greater. Operating expenses which were about 4.25 billions in 1922 (reduced to present cost levels) would be increased 6% or 255 millions. The net effect of a 10% increase in volume of traffic in 1923 will be an increase in net income of 285 millions.

The Labor Situation

On July 1, 1922, wage reductions affecting shopmen, laborers, station employees, clerks and others became effective. These reductions averaged 6 or 7 cents an hour. Averaged over all employees, including those whose wages were not reduced, the reduction equaled 3.4 cents per hour. Had these rates been in effect the first six months of 1922, operating expenses would have been about 60 millions less.

The shopmen's strike of July 1, 1922, was expensive for the railroads aside from the loss of traffic. Their reports show the quantity of fuel used, the train wages and locomotives supplies per train-mile were 5% to 20% higher during the strike-affected months than in the months immediately preceding the strike, this situation arising from operating difficulties due to the lack of and the poor condition of locomotives. A careful review of the reports indicates that an added cost of about 30 millions resulted. The reports also show substantially higher equipment maintenance costs for the strike-affected months than for the corresponding months of 1921 when the wage rates were higher.

During the strike period 21% of the compensation of shopmen was from over-time and time-and-one-half rates, as compared with a normal ratio of 2.6%. As a result the railroads received but little benefit from the wage reduction of July 1st, 1922, and suffered from the inefficiency of the men substituted for the striking employees. Equated to the same wage level, it appears that approximately 50 millions more money was spent for equipment maintenance during July to October, 1922, than in the corresponding months of 1921, and about the same amount of work done. More than 20 millions were expended during the strike-affected months for additional police protection and watchmen. The sum total of these estimates is 100 millions, reflecting roughly the minimum cost of the strike to the railroads.

As far as available information indicates, there was more equipment maintenance work performed in the year 1922 than in 1921. The same statement applies to maintenance of way. This conclusion is arrived at after comparing maintenance charges for the eleven months ending with November 1922 with 1921 adjusted to the same wage level.

The Coal Strike

Aside from the loss of traffic, the main effect of the coal strike on the railroads was to increase the cost of the coal used. During the period June to October 1922 the average price of railroad coal was 90 cents per ton higher than immediately prior to April 1st. Based on the coal consumption for the period June to October, the added cost to the railroads due to the inflated price of coal amounted to approximately 50 millions.

With a net income of 1.12 billions in 1923 the Class I railroads as a whole will earn a substantial sum in excess of present dividends. This is indicated by the accompanying table. (The items shown are partly based on the Interstate Commerce Commission statistical report for 1920 adjusted to 1923 conditions. Rentals for leased lines excluded. Interest charge and dividends of leased lines included.)

In 1920 there was approximately 8.9 billions of stock outstanding represented by the above income account. The amount *available* for dividends, appropriations and surplus for 1923 as above estimated is equal to 8.0%, and the dividends *allowed* for equal to 3.7% on this stock. In 1920, only 57.3% of the outstanding stock paid dividends, the average rate being 6.5%.

The railroads as a whole are entitled to a fair return on value. Their value as set by the Commission is somewhat higher than their capitalization. If the rate earned on value approximates 5.75% (the "fair return" established by the Commission) then, after deducting bond interest at its average rate of 4.5%, there is left a balance for stock approximating 8%. With railroad earnings on this basis, credit would be firmly established, necessary improvements could be made as needed, and the country would receive a much improved transportation service.

Recapture of Railroad Earnings by the Government

Under the Transportation Act—1922, roads earning in excess of 6% on value are required to pay one-half of the excess to a contingent fund held and administered by the Interstate Commerce Commission. This fund is used in making loans to individual railroads for capital purposes at 6% interest, the borrowing road being required to furnish proper security, and to satisfy the Commission of its ability to pay the interest charges and to repay the loan at the time set. There were a number of railroads which had excess earnings in 1921 and 1922 when earnings were generally low. When the railroads as a whole earn a "fair return," as they will in 1923, there will be a large sum "recaptured" from the more prosperous ones. For the country as a whole the amount recaptured should be at least 50 millions, which would have the effect of reducing the rate of return upon value by about .25%.

If this provision of the Transportation Act is finally upheld by the Supreme Court, it will have an embarrassing effect upon certain high dividend paying roads, but will not disturb the credit of these roads, nor of roads generally.

Conclusion

The foregoing analysis indicates that dividends should be earned by a substantial margin in 1923, excelling in this respect the showing of any year in railroad history with the possible exception of 1916. A study of the reports of the individual roads will give indications of the roads which will receive the greater benefit from this situation. The conclusion is clear that railroad securities today offer far better prospects than for several years, and those of certain standard rails at present market prices are unquestionably sound permanent investments.

ESTIMATED NET INCOME FOR 1923

Net railway operating income for the year 1922 (Dec. estimated)	$775,000,000
Less—Adjustment of freight revenue for Jan. to June to present rate level	150,000,000
Balance	$625,000,000
Add—Net revenue from 10% increase in traffic in 1923	285,000,000
Adjustment of wages for January to June, 1922, to present level	60,000,000
Cost of Shopmen's strike	100,000,000
Excess cost of coal due to coal strike	50,000,000
Estimated net railway operating income for 1923	$1,120,000,000
Tentative value of railroad property	$19,000,000,000
Rate of return	5.9%

ESTIMATED RAILWAY INCOME AVAILABLE FOR DIVIDENDS IN 1923

Estimated net railway operating income, 1923	$1,120,000,000
Non-operating income (interest and dividends on securities owned, miscellaneous rents, etc.)	213,000,000
Gross income	$1,333,000,000
Interest and miscellaneous deductions	620,000,000
Available for dividends, appropriations and surplus	$713,000,000
Dividends (estimated on 1920 basis)	330,000,000
Surplus after dividends	$383,000,000

St. Louis Southwestern Railway Company

Leader of the Southwestern Roads

Remarkable Record of "Cotton Belt"—Gradual Approach of Common Stock to Dividends

By JOSEPH M. GOLDSMITH

THE St. Louis Southwestern, popularly known as the Cotton Belt Route, during the last few years has made the best showing of any of the leading roads operating in southwestern territory. Its lines extend southward from St. Louis through Illinois, Missouri and Arkansas into Texas, with a network of feeders in the eastern part of that state. It consists from a legal standpoint of two distinct corporations, namely, the St. Louis Southwestern Railway Co. and the St. Louis Southwestern Railway Co. of Texas. The laws of the latter state require all railroads operating within its boundaries to be separately incorporated under its own laws. All the stock of the company organized with a Texas charter is owned by the St. Louis Southwestern Railway Co.

The owned lines of the St. Louis Southwestern only extend as far north as Delta, Missouri, but it runs its trains directly into St. Louis over the tracks of the Illinois Division of the Missouri Pacific. Its entrance into Memphis, also an important traffic center, is over the Chicago, Rock Island and Pacific, with which a satisfactory agreement has recently been concluded. The St. Louis Southwestern lines reach most of the other strategic points in the territory which it traverses, among which are such cities as Little Rock and Pine Bluff, Arkansas; Shreveport, Louisiana; and Forth Worth, Dallas and Sherman, Texas. It operates a total of 1,776 miles of first main track and although not a large system is of great importance to the district which it serves.

More Diversified Traffic

The Cotton Belt draws most of its tonnage from the two states of Arkansas and Texas and consequently we find that the limited number of commodities which they produce furnish its main source of revenue. In Arkansas, 61% of the total wage earners are engaged in the lumber and timber industry. In Texas, lumbering also occupies a prominent position, and the St. Louis Southwestern's Texas lines originate a large lumber tonnage. For the system as a whole, forest products represented 23.5% of the total tonnage in 1921, while in 1920 they comprised over 28%. The falling off in volume, which amounted to 33%, is attributable to the business depression which prevailed in 1921, for the lumber industry is very sensitive to the state of activity in the building trades.

Although lumber is still an exceptionally important item in the St. Louis Southwestern's traffic classification, for in the case of few roads does it constitute as large a percentage of the total, it no longer retains the commanding position which it held over a decade ago. As the appended table shows, in 1909 it represented almost half the aggregate tonnage, but the more rapid growth in minerals and manufactures has fortunately reduced the dependence of the St. Louis Southwestern on lumber traffic. The greater diversification which has resulted is extremely beneficial to the road.

Among the agricultural products, cotton and cotton seed constitute the largest items. In 1921, they amounted to 6% of the total tonnage, but cotton's actual significance to the company is far greater than this figure would indicate. As the name implies, the Cotton Belt Route penetrates the great cotton section of the United States, and the prosperity of the South depends largely on this, its big revenue crop. The financial status of the cotton planter is the factor which regulates the degree of activity in other lines of business. As a result the value of the cotton crop means much to the St. Louis Southwestern, for the volume of manufactures which it brings into the territory depends upon the purchasing power of the cotton-raising population which it serves.

Of late years, crude and refined petroleum have proven an important source of traffic, due to the great oil boom in Texas and surrounding states. In 1920 the St. Louis Southwestern moved the largest quantity of freight in its history, amounting to 6,356,000 tons, but in 1921 the total declined to 5,148,000, a decrease of 19%.

Capitalization and Value of Property

The Interstate Commerce Commission has for a number of years been engaged in the work of placing a valuation on the physical properties, used in the transportation service, of the various railroad companies. It has proven an extremely difficult task and the figures for few of the large systems have as yet been arrived at. In July, 1921, however, the tentative valuation of the property of each company comprising the St. Louis Southwestern System was served, the values as of June 30, 1915, totaling $56,868,135. The company has since vigorously contested the accuracy of this figure, maintaining that it did not take into account investments in jointly owned and operated bridge, terminal and depot companies, and was faulty in other respects. A protest has been filed within the required time. The above figure does not include the amount of capital invested in the property since June 30, 1915 amounting to

ST. LOUIS SOUTHWESTERN TRAFFIC

(Showing Greater Diversity)

Products of:	1909	1921
Agriculture	20.64%	17.99%
Animals	1.91%	.84%
Mines	9.09%	28.30%
Forests	48.67%	25.02%
Manufactures and misc.	19.69%	27.85%

	Available for Interest Charges	Interest	Earned on Preferred	†Earned on Common
1920	$4,660,000	$2,236,000	12.18%	8.74%
1921	4,744,000	2,250,000	12.53%	9.16%
1922	*4,492,000	2,250,000	11.27%	7.62%

* Approximate. † After deducting 5% on the preferred.

COMPARISON ON PER MILE OF ROAD BASIS

(Based on 1921 Figures)

	Gross Revenue	*Gross Income	Fixed Charges	Net Income
St. Louis Southwestern	$14,156	$2,882	$1,478	$1,404
Missouri Pacific	15,020	1,786	1,652	134
Missouri, Kansas & Texas	16,656	2,575	1,838	737
St. Louis-San Francisco	16,418	3,412	†2,798	614

* Eliminating Government items representing guarantee period.
† Including interest on Adjustment and Income bonds.

ell over **$10,000,000, all of which has** een appropriated out of income.

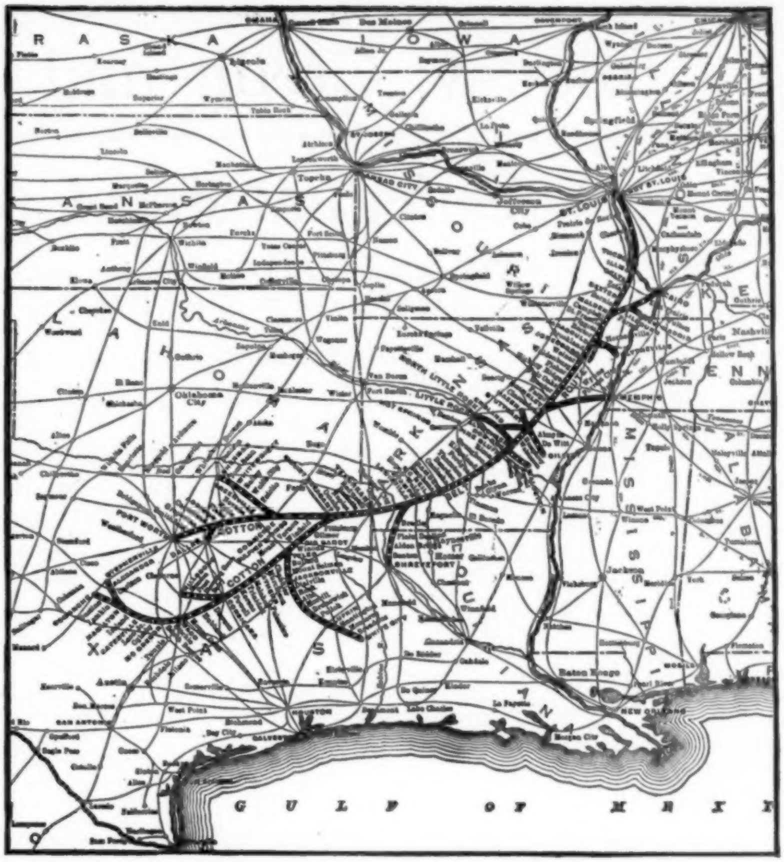
The Commission's valuation of $56,-8,135 compares with a book value of 7,443,000 at which the company cared its road and equipment, less depreciation, on December 31, 1921. Making llowance for the increase in value hich has taken place in the intervening eriod and also assuming that the company's claims in regard to jointly operted properties are justified and will ise the final figures accordingly, evertheless the book value of the oad's assets appears somewhat inflated nd in excess of their true value.

The St. Louis Southwestern's total apitalization on December 31, 1921, mounted to $87,870,000, which is at the ate of $68,340 per mile on the 1,315 iles of main track owned. Of this, 60% onsists of funded debt and 40% of tock. For a road of this character the apitalization is rather heavy, for the acilities which it possesses do not seem o warrant such heavy security issues. With the exception of a few miles it is ll single track. The rails on the main ine are chiefly 75 pounds to the yard, which is not very heavy, while many of he branches have only 56-pound rail. A number of the Texas lines are unballasted. This is not intended to be a riticism of the condition of the property, since it is adequate to properly perform the service demanded; and it does not pay to maintain such standards as the Pennsylvania R. R. requires, on a road with only a fraction of the latter's traffic density. We are led to the conclusion, however, that in spite of the arge expenditure on additions and betterments in recent years, the St. Louis Southwestern's capitalization is still arge when considered on the basis of its relation to the value of the property.

Earnings Support Present Capitalization

As prospective purchasers of a railroad's securities a physical appraisal of its assets is, from a practical standpoint, far exceded in importance by another factor. Its investment is virtually all in the form of fixed capital and cannot in any event be realized upon, as could the liquid assets of a manufacturing concern. Although for purposes of public regulation, an inventory of its facilities and a determination of their cost of reproduction may be desirable, the bondholder or stockholder can only properly evaluate a railroad on the basis of what it produces in the way of net earnings. From an investment point of view capitalization is to be considered primarily in relation to earning power.

As the accompanying table shows, the St. Louis Southwestern in 1921 made a better showing than any of its leading competitors, and this in spite of the tremendous falling off in volume of traffic which it experienced in that year. Although gross revenues per mile were slightly lower than those of the other three roads, gross income applicable to fixed charges was exceeded only by the St. Louis-San Francisco. Due to the huge interest charges which the latter has to meet before anything remains for its stock issues, the St. Louis Southwestern showed a larger net income applicable to dividends than that of any of the roads with which it is compared. Although the St. Louis Southwestern has a large funded debt, as the greatest parts of it bears 4% interest the burden is not heavy.



Map showing territory traversed by St. Louis-Southwestern Railway

The St. Louis Southwestern was one of the few roads to reject the Government Guaranty which was to cover the period from March 1 to August 30, 1920. This course was vindicated by subsequent earnings. In spite of liberal expenditures for maintenance, the record-breaking tonnage which the Cotton Belt handled enabled it to secure much better net earnings than it would have received had it accepted the government offer.

In that year the company earned a net income after all charges of $2,423,-000, while in 1921 the corresponding figure was $2,493,000. For the year which has just closed the surplus after all charges was $2,242,000. Earnings have been at a very high level and have displayed a remarkable degree of stability. In each case total bond interest was covered approximately twice over, leaving substantial balances applicable to both classes of stock.

This is only a three-year record, but due to the period of government operation and the unusual conditions, incident to the war, in the years immediately prior thereto it is impossible to secure an average covering a longer period which would fairly represent the road's present earning capacity. The sums expended for maintenance have been adequate and compare favorably with those of other roads operating in the same general territory. In 1921 much less was spent on either maintenance of way or maintenance of equipment than during the preceding year, but the large reduction in train mileage in 1921, due to the curtailed passenger travel and the smaller volume of freight tonnage transported, made savings on these items possible without detriment to the property.

1st Cons. 4s of 1932

St. Louis Southwestern First Consolidated 4s maturing June 1, 1932, represent a well secured obligation yielding a very attractive return. At their price of 76, although the current yield is only 5.25%, the yield on the bond if held to maturity amounts to 7.60%. There are outstanding $21,591,750 of this issue, which is subject to prior liens aggregating $23,042,500. Total interest charges, including those on $8,155,000 First Terminal & Unifying 5s that follow the Consolidated 4s and which will retire

(Please turn to page 849)

Money, Credit and Business

Safeguarding Credits

A Discussion of Some Underlying Weakness in Our Loaning Methods and How They May Be Rectified

By ALEXANDER H. REVELL

IN the American business world in 1920, there were 8450 recorded failures; in 1921 — 20,000; in 1922, despite the improved economic conditions, the number of recorded failures amounted to 26,000 with liabilities totaling $600,000,000. The tremendous number of failures unrecorded would probably more than double those figures.

The bank record is not less significant. The number of national banks which failed during 1921 was 127, and the number of state banks 256—a total of 383 institutions which closed their doors during the year. The record for the first half of 1922 was worse.

This, however, is not to be a discussion of the causes for this showing. These are many and voluminous. Rather is it to be an analysis of a means of safeguarding the business world and minimizing credit losses.

The plan which this article will discuss is applicable alike to industry, in the strict sense of the word, and to banking. But because, in our opinion, industry could not function, or develop without the banks, the plan will be considered primarily in its relations to financial institutions.

The conduct of business in the metropolitan areas is far different from what it was a generation ago when enterprises were, as a rule, much smaller. Then bankers knew, as a matter of common and daily association, practically everything that transpired in their vicinity; knew it with little, if any, organized effort to get the information.

Today, particularly in the larger cities, industrial business is more complex, more secretive and more difficult to analyze rapidly and accurately.

Branch houses have come into existence, as have subsidiaries for export purposes, varied and distant assets, and the thousand and one other ramifications of modern business life.

In contrast to this change, banking, insofar as it relates to commercial loans, goes on much as it did twenty, thirty or forty years ago.

Some Possibilities of Loss

Let it be conceded at the start, although it is not necessarily so, that reasonable care is taken when a loan is first negotiated. The pitfalls which may arise after that transaction has been closed, are many.

In continuing account, unless there is admonition of danger, which usually comes so late as to be useless, long interim statements are far too often depended on as evidence of the stability of the borrower. Even where there is collateral security advanced for a loan, it may be that the values behind the securities are not always guarded to the maximum of reasonable possibility.

When it is an industrial loan, the assets remaining in the hands of individuals, there are many channels which may easily make for a loss to a bank. There are frequently loans, which, it cannot be denied, are predicated upon inadequate assets. Some are criminally made. Others may be based on friendship, hope, optimism, or all three together.

Inventory figures on which a loan may be based is a fruitful field for possible loss. Many inventories which were taken with scrupulous honesty in recent years were not worth sixty per cent of the taken value nine or eleven months later.

If taken with dishonest intent by the borrower, there may be a changing or manipulating of assets, trust papers, or securities, or there may be inexcusable optimism displayed. Again there may be an unintentional but frightful ignorance in figuring manufacturing costs. Add to this the bankruptcy sharps—the real value of an indorser and his opportunity to dispose of assets before the obligation is closed. As long as the world lasts, such things will arise and will have to be met. No plan will ever completely safeguard every chance that must be taken—or there would be little business done.

But some change should be made—some new safeguards added against the complexities and the changed conditions of modern business. The check is in the interest of a larger, more permanent stability for all industry, and in the interest of grave obligations which a bank owes to its depositors, as well as its stockholders, its borrowers and the general public. The law considers these obligations of the greatest importance, and, when necessary, punishes neglect of them most severely.

Just what constitutes maximum care, which the law regards as sufficient, is difficult to define. Different conditions bring about different conclusions.

But surely it is not the exercise of reasonable care if, even when no danger signals are displayed, funds are loaned continuously, without obtaining frequent and first hand information as to the condition of the borrower, so that the values behind a loan may be more adequately determined.

George E. Roberts, Vice-President of the National City Bank of New York, an

(*Please turn to page* 860)

Mr. Revell is chairman of the Board of Directors of one of the largest furniture manufacturing concerns in the Middle West. He is also a director of a large banking institution and in both capacities has come in contact with many of the practical problems affecting mercantile life. This article is founded on his long experience in such matters and we believe that many of our readers who are associated with banking and business will derive considerable value from it.

COMMERCIAL FAILURES IN THE UNITED STATES

	Number of Failures (In Thousands)						Assets (In Millions)						Liabilities (In Millions)					
	1917	1918	1919	1920	1921	1922	1917	1918	1919	1920	1921	1922	1917	1918	1919	1920	1921	1922
New England States	1.6	1.2	0.6	0.9	1.7	1.8	$6.7	$5.9	$8.5	$53.6	$40.5	$14.9	$15.9	$15.1	$15.3	$69.6	$69.8	$34.4
Middle States	3.2	2.0	1.2	2.4	4.5	5.0	21.0	21.4	14.6	82.2	92.6	96.3	51.6	45.6	33.0	153.2	199.4	175.5
Western States	2.9	2.8	1.4	1.7	4.1	4.8	26.4	18.0	11.6	51.5	69.8	86.9	44.6	34.3	30.8	72.0	111.1	156.1
Northwestern States	1.0	0.7	0.4	0.6	1.6	1.8	3.8	5.4	4.7	21.0	62.1	34.0	7.6	9.2	9.5	32.8	94.5	56.2
Southern States	2.7	1.4	1.0	1.9	6.1	6.4	19.2	10.0	10.1	51.3	137.2	95.9	32.6	18.6	16.1	76.5	209.8	159.3
Far-western States	1.3	0.9	0.6	0.7	1.6	2.2	7.4	8.1	5.6	14.2	44.1	36.3	14.1	14.8	10.9	22.0	70.9	65.2
Totals	13.0	9.3	5.5	8.4	20.0	22.4	84.7	69.3	55.3	274.1	446.5	364.6	166.5	137.8	115.5	426.3	755.7	646.9

Bradstreet's Figures.

President of P. Lorillard Optimistic

T. J. Maloney Takes Constructive View of Present Tobacco Situation

An Interview By W. K. McAULIFF

PRESIDENT MALONEY'S VIEWS AT A GLANCE

GENERAL OUTLOOK:	**Very Promising.**
CROP SITUATION:	**Increase in tobacco crop of 23.8% last year offset by 43.9% advance in prices.**
COST SITUATION:	**Labor Supply: Sufficient. Raw Material: Abundant. Production Expense: Kept Down.**
MARKET:	**Unfilled Orders: Normal. Stocks: Comparatively Small. Demand: Increasing.**
EARNINGS OUTLOOK:	**Higher Prices and Larger Margin of Profit.**

TOBACCO—cigars, cigarettes, snuff and chewing tobacco—are considered luxuries. And the tobacco industry is supposed to share the fate of all luxury industries," viz., great activity in boom times, but equally great depression in poor times.

Something after the fashion of the automobile industry, however, the tobacco business has surprised its analysts in recent years. Instead of fluctuating sharply between great activity and pronounced dullness, it has proven remarkably stable—one of the most stable, in fact, of all our industries; and its growth over the last decade has been phenomenal.

Two very human factors have contributed to the development in demand since 1917. There were the great numbers of men who took to smoking—cigarettes, principally—under the associations and exigencies of war times. Secondly, there were the great numbers of women who did the same thing.

The latter factor, indeed, has assumed surprising proportions. It is estimated that fully 10% of the increase in tobacco consumption since the war is directly attributable to the growth in the number of women smokers.

The Future

According to President Maloney, of P. Lorillard Co. (the second largest manufacturer of tobacco in this country), the industry's great growth has not jeopardized its stability. Mr. Maloney, in a talk with the writer a short time ago, expressed himself as well satisfied with present conditions and the apparent trend.

"Our export business has dwindled down to a point where it represents only a small part of the total," said Mr. Maloney, "and nothing much can be expected from that quarter for a long while to come.

"The domestic situation, however, is fundamentally sound and very promising.

"Our crop prospects, judging from last year's performance, may be said to be excellent. Growers managed to secure a yield 23.8% greater than in the previous year.

"Nor has the increased output injured the price position. To offset the larger yield quoted, we had a price increase of almost 44%."

The Labor Outlook

Mr. Maloney was questioned regarding labor supplies in particular and production costs in general. He said:

"The tobacco industry, of course, has had competition from other industries for its labor supply. The result may be noted in the recent increases that have been effected in wages paid. Nevertheless, there are enough workers now to meet the needs of the industry, and little, if any, likelihood of a serious shortage.

"Raw materials, thanks to last year's fine crop, are in ample supply.

So far as the general cost of production is concerned, the recent uptrend in labor and raw material have been absorbed by greater efficiency attained in the industry. Many operating economies have been introduced, with satisfactory results."

As to supply and demand, according to the President of the Lorillard Company, existing stocks of tobacco are far from burdensome.

"Demands from the trade," he said, "are cutting into fresh stocks at a rapid rate. The tendency is toward active 'repeat orders' rather than long-time contracts, and this tendency, coupled with the great improvement that has occurred in transportation, is keeping our unfilled orders down to about normal. But the total amount of business being done is considerably larger than normal and is growing steadily.

"Taxes have exerted no perceptible effect on demand, large as they are. A tax of $3.00 per 1,000 is levied on cigarettes weighing not more than three pounds per thousand. That translates into a tax of 3 cents on a package of 10 such cigarettes, and, on moderate-priced cigarettes, seems a pretty heavy imposition. Taxes on brands of greater weight are from $7.20

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HARVESTING TOBACCO

THE TREND IN LEADING INDUSTRIES

	SUPPLY OF BASIC ELEMENTS				COST OF PRODUCTION				DEMAND			OUTPUT		PRICES		PROFITS
	Labor	Raw Materials	Fuel	Transportation	Labor	Materials	Fuel	Transportation	Unfilled Orders	Stocks on Hand	Shipments	Raw Products	Finished Products	Raw Products	Finished Products	Of Leading Companies
STEEL	Growing shortage	Ample supply available	Full supply	Car shortage disappearing	Wages stable but increase likely	Lower costs unlikely	Lower costs	No cut in rates expected	Increasing	Slowly decreasing	Sharp increase	Increasing	Increasing	Upward	Upward	Increasing
COAL	Full supply.	Ample supply available	—	Full supply available	Wages at peak	Lower costs unlikely	—	Possible cut	Decreasing slightly	Soft coal increasing. No change in hard coal	At high point	Increasing	—	Downward	—	Increasing
BUILDING	Excess of demand. Over supply	Supply and demand about equal	Hard coal still below normal	Full supply available	Higher wage trend	Higher costs in prospect	At peak. No change likely	No cut expected	At highest point	—	Further improvement necessary	—	Seasonal increase in construction	—	Upward	Increasing
OIL	No shortage	Ample supply available	—	Adequate supply of tank cars, etc.	At highest point	Higher costs in prospect	—	No cut expected	Increasing	Practically unchanged	Increasing	At highest point	At highest point	Upward	Upward	Increasing
COPPER	Shortage in some districts	Ample supply available	Ample supply	Traffic conditions improving	Higher wage trend	Higher costs in prospect	Lower costs likely	No cut expected	Slowly increasing	Sharp decline	Increasing	Increasing	Increasing	Upward	Upward	Increasing
CHEMICALS	Sufficient for present needs	Ample supply available	Ample supply	Sufficient for present needs	At high point	Higher costs in prospect	Lower costs likely	No cut expected	Slowly increasing	Practically unchanged	Small increase	Increasing	Increasing	Stationary	Stationary	No change
TEXTILES	Supply ample, but strikes threaten	Shortage of raw cotton possible	Ample supply	Sufficient for present needs	Higher wage trend	Cotton should stabilize	Lower costs likely	No cut expected	Slowly increasing	At rather low point	Small increase	Cotton at low point Wool and silk ample	Increasing	At high point	Upward	Increasing
AUTOMOBILES	Ample supply	Ample supplies	Ample supply	Sufficient for present needs	Possible higher wages	Costs increasing	Lower costs likely	No cut expected	Sharp increase	Market in strong position	Increase in January	—	Increasing	Stationary	No change expected	Increasing
TIRES	Ample supply	Ample supplies	Ample supply	Sufficient for present needs	Possible higher wages	Costs increasing	Lower costs likely	No cut expected	Sharp increase	Not as large as formerly	Increase in January	Rubber supply large	Increasing	Upward	Possibly Upward	Increasing
LEATHER	Ample supply	Ample supplies	Ample supply	Sufficient for present needs	Possible higher wages	Costs increasing	Lower costs likely	No cut expected	Unchanged	Large supply	Small increase	Increasing	Increasing	Stationary	No change expected	Slight Increase
PAPER	Shortage in some sections	Ample supplies	Ample supply	Sufficient for present needs	At highest point	Unchanged	Lower costs likely	No cut expected	About to increase	Fairly large	Small increase	—	At low point	Stationary	No change expected	Slight Increase
TOBACCO	Full supply	Consumption eating into stocks on hand	Ample supply	Sufficient for present needs	Higher wages likely	Slightly higher	Lower costs likely	No cut expected	Sharp increase	Slowly declining	Small increase	Waiting for new crop	At high point	Upward	Upward	Increasing

Readers' Round Table

A Suggestion for Handling the Debt Problem

Editor, THE MAGAZINE OF WALL STREET:

There is a great deal of discussion indulged in nowadays relative to the enormous sums which other nations, as nations, owe us—indebtedness incurred during the war. And there seems to be a systematic and persistent campaign of propaganda being waged from abroad to induce us to forgive this indebtedness and wipe the slate clean.

May I be pardoned the liberty of offering a little suggestion along this line? Let us propose to each of our debtor nations that for every dollar of its national debt forgiven by its nationals we will forgive a dollar of the amount that nation, as a nation, owed us. Thus if French holders of French bonds will yield and surrender for cancellation bonds of a par value equivalent to a billion dollars, we will cancel France's debt to us by a like amount. If at the same time we make it clear that every dollar of the amount lent to these nations was borrowed from our own citizens and must be repaid by taxation of our own citizens; and if we thus show that we are ready to be indulgent and lenient if the debtor nation's own citizens will be lenient, it will throw a new light on this much discussed question—and do one of two things, either stop this talk of forgiveness of debts or enormously strengthen the economic condition of each debtor nation that accepts and carries out our proposal, and it may put an end to this widespread loose talk of capital levies in Western Europe.—J. McK.

Certainly such a proposal as the above, if it could be executed, would lay the foundation for a vastly stronger economic foundation, internationally speaking, than that which now obtains. In view of the present state of national psychology, particularly in Europe, it is doubtful that a proposal such as this would be accepted by the rank and file of the citizenry affected. It is clear, for example, that it would be the most difficult thing in the world to induce a French peasant to part with his 500 or 1,000 francs in French bonds for so remote a consideration to him as the reduction of the French debt to America. An excellent idea, but more in the realm of the ideal than the practical!—EDITOR.

More About the Truth About Labor

Editor, THE MAGAZINE OF WALL STREET:

With reference to your recent article on the Truth About Labor, I may say that the article is alright but there are points, which are vital, which it failed to take into consideration. I am speaking from a railroad employee's viewpoint. The points to which I have reference are among the principal causes of present unrest in railroad labor circles.

In 1878, I was working as a switchman, often for a stretch of 24 hours at a time. I received the munificent salary of $54 a month for doing this work. Later I received $83⅓ per month with unlimited hours of work and still later $100 per month as passenger conductor with a daily run of 228 miles. It cannot be said that the roads were not making money.

In how many instances have you heard of a road increasing wages without a fight on the part of the employees? Does this show proper consideration for the men who do the work?

To enter the office of a road in the early days was like unto a slave entering the presence of his master. Do you think the men forget? While the minor employee now has some claim on his job, especially in the case of minor officials, it is worth while noting that he has gained this position after years of slaving and sometimes even this long service does not prevent his being let out, on some flimsy excuse when the management has been changed. Very likely such a man has reached an age where he is no longer able to enter the service on account of age limit. There are other injustices which could be enumerated. If the men were treated right, there would be less bad feeling on both sides.—A. F. C.

There is undoubtedly some justification in the spirit shown by the writer of the above, but it is only fair to point out that many of the high officials of the roads have themselves risen from the bottom of the ladder and that they are, generally speaking, sympathetic to the aims of the men. The personal equation, of course, looms large here and it is unfortunately true that some executives are so constituted as to be one-sided in any matters affecting relationships between employers and employed. But the great majority of the executives are human and friendly and are not to be blamed because of the perversity of a few.—EDITOR.

A Letter to the Stock Exchange

Editor, THE MAGAZINE OF WALL STREET:

I take the liberty to send you the following communication as a letter to the Board of Governors of the New York Stock Exchange, which I trust you will find space for in your valuable columns. The nature of the subject is, I believe, sufficiently important to warrant the use of such space as may be necessary.—H. M. M.

To the Board of Governors of the New New York Stock Exchange:

In recent years the public has come, quite generally, to rely on the protection afforded investors through the rules, regulations and general supervision of your board. This confidence is unquestionably a very great asset to the members of the New York Stock Exchange, and its preservation is of the greatest value to the investing public. When an old well-established firm, such as Houston Fible & Co. of Kansas City, members of your Exchange, fails, and several hundreds of its customers learn that they have lost their property by reason of the operation rather than the violation, of the rules of your exchange, it is a serious shock, and will unquestionably tend to a loss of confidence in all dealings through members of your Exchange.

The firm in question was one of the most active in the West, with almost 1,500 active customers. I dealt with them, as did many others, in the spirit of utmost confidence. As my case is typical of several hundred others, I will state it briefly to bring out the point to which I wish to direct your attention. About a year before the failure, which happened December 18th, 1922, I bought through the firm 300 shares of stock in three lots of 100 shares each. This stock was bought in the usual way, paying part cash, and held in the firm's name. Over 6 months before the failure it was all paid for but still allowed to stand in the firm's name for convenience, they merely issuing to me one of their statements showing the stock paid for in full.

A few days before the failure I bought another 100 shares of stock, paying part cash, but not having an opportunity, did not pay the balance before the failure. The balance was tendered after the failure to both the firm and the receiver. Houston Fibel & Co. dealt in stocks through two other members of the Exchange in New York. As I had paid for my stocks and was ready to pay the balance on the recent purchase I felt no uneasiness. The recent purchase has advanced—not declined.

Much to my surprise I am now informed that all my stocks were sold out, *according to the rules of the Exchange* immediately after the firm closed its doors. I am now classed as a general creditor, and am asked to accept a part only of what my stocks brought at forced sale. This is certainly bad treatment, and if your Exchange can protect its customers by changing your rules it certainly should do so. The public generally assumes that when a man makes a purchase through a member of the New York Stock Exchange it is a real purchase and not a mere book entry. I believe that rules of your exchange provide that such deals shall be bona-fide purchases, whether on

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Industrials

15 Industrials Close to Dividends

A List of Stock Issues on Which Dividend Payments Are Expected—Five Special Opportunities

By FRED L. KURR

DURING the deflation period of 1920-21 many of the strongest of our industrial corporations were obliged to omit dividends on their common stocks. Improved business conditions during the past year combined with a general advance in the value of inventories have enabled a large percentage to stage a rapid recovery in earning power and to greatly strengthen their financial position. With the outlook favorable for the current year, the question of a resumption of dividends has become a very timely one with many corporations. In the accompanying table is given a list of fifteen companies which are very likely to place their common stocks on a dividend basis in 1923 and a majority of them will probably reward their stockholders within the next few months.

Of course, the fact that dividends are soon to be resumed on a stock does not always indicate that quick profits will be secured by making a purchase. Frequently dividend payments are fully discounted before the actual announcement is made and it is just as necessary to use discrimination in purchasing coming dividend payers as in the case of any other stock. In the list given, such stocks as American Smelting at 64, Cerro de Pasco at 47, Gulf States Steel at 92, Kelly-Springfield at 55, R. H. Macy at 68, United States Industrial Alcohol at 70, Tidewater Oil at 137 and Mathieson Alkali at 61 have undoubtedly gone a long way toward discounting dividend action and a further advance would be based more on further improvement in their business than on the declaration of an expected dividend.

Of the remaining stocks given in the table Spicer Manufacturing, Julius Kayser, American Sugar, Cuban-American Sugar and Tennessee Copper are the most attractive. These securities have had a relatively small advance in price and at present levels do not appear to have fully discounted favorable action in regard to dividends.

In the table, 1923 earnings are estimated on the basis of current reports of operations. The writer does not intend to convey the impression that he is attempting to accurately estimate 1923 earnings for this is obviously impossible so early in the year. It is simply an estimate of the rate at which earnings are understood to be running at the present time.

COMING DIVIDEND PAYERS

	10-year average earnings. Per share	1922 earnings. Per share	*1923 earnings	Previous dividend rate	Last payment	Ratio of current assets to current liabilities
American Smelting & Refining	$10.67	$4.92	$8.00	$4	March, 1921	4½ to 1
American Sugar Refining	8.77	†8.00	14.00	7	July, 1921	†6 to 1
Brown Shoe	6.42	10.98	12.00	7	Sept., 1920	3 to 1
Cerro de Pasco	‡4.00	†3.50	5.00	4	March, 1921	4 to 1
Cuban-American Sugar	4.00	1.47	6.00	2	July, 1921	2¾ to 1
Gulf States Steel	§10.33	7.27	15.00	4	April, 1919	3½ to 1
Julius Kayser	7.00	10.00	10.00	Recapitalized		5 to 1
Kelly-Springfield	a3.75	6.94	9.00	4	April, 1921	10 to 1
R. H. Macy	d5.57	6.00	8.00	Recapitalized		7 to 1
Punta Alegra	b3.65	c def.	c7.00	5	April, 1921	4 to 1
Spicer Manufacturing	‡2.00	†4.00	7.00	2	Aug., 1920	3 to 1
Tennessee Copper	0.40	†0.50	1.00	1	May, 1918	10 to 1
U. S. Industrial Alcohol	15.65	†6.00	10.00	4	Sept., 1921	2 to 1
Tidewater Oil	§19.73	†10.00	15.00	8	March, 1922	2½ to 1
Mathieson Alkali Works	7.82	†7.00	10.00	6	Jan., 1919	3 to 1

* Based on estimated current earnings, allowing for seasonal fluctuations. † Estimated. ‡ Six years. § Seven years. a Eight years. b Five years. c Years ended May 31. d Four years.

American Sugar Refining

This is the largest factor and one of the oldest in the sugar business in the United States, having been founded in 1891. It owns seven refineries, of which one is usually kept in reserve, and has an interest in the National Sugar Refining Co., which owns two refineries. In addition, it has 470,000 acres of virgin land in Cuba and two grinding centrals, Cunagua and Jaronu, with a capacity of 1,200,000 bags a year. The company also makes its own barrels through the Brooklyn Cooperage Co. Through stock ownership the company is also interested in four beet-sugar companies. It is, therefore, a complete cycle of the industry, covering practically every phase from growing to final marketing, although most of its refining is of sugar not grown by it.

The company has always been a good earner, and had an unbroken dividend record from 1891 till 1921. The sugar market upheaval of 1920-1921 shook the company's financial position, however, though some of the effects did not show until 1922. From 1919 to 1921 inventories shot up from 15 millions to 45.4 millions and sank to 11.3 millions, while bills payable, which the company had never had outstanding against it before, amounted to 27.2 millions at the end of 1920 and 19.9 millions at the end of 1921, in addition to which the item of "raw sugar drafts payable" was created in the latter year, to the amount of 10.7 millions.

In 1922, these items were funded by the issue of 30 millions of 15 year 6% bonds, while the company raised additional working capital through the sale of 5.2 millions' worth of Great Western Sugar Co. preferred stock, one of the beet-sugar investments which it had held for a long time.

Last year it is estimated that refining profits alone amounted to 9 millions, of which $3,150,000 went to pay dividends on the 45 millions of 7% cumulative preferred stock, and $1,800,000 for bond interest, leaving some $9 a share for the common, but it is not believed that the sugar-producing subsidiary in Cuba earned much. This year, however, the two centrals have produced over 200,000 bags of sugar to date, and will turn out an estimated million bags in the season now under way. Every quarter-cent increase in the price of raw sugar, therefore, means an additional $800,000 profit to American Sugar, or nearly $2 a share on the common.

The latter stock, which has paid no dividends since May, 1921, is now selling around 83. Should the company resume the 7% rate which it has paid or exceeded since 1901, the stock would well be worth its present price. At the current rate of earnings

such a rate would not be at all difficult to establish or maintain.

Cuban-American Sugar

An outstanding contrast to Cuba Cane in the matter of capitalization is the similarly-named Cuban-American Sugar Co. It turns out well over 2 million bags annually, on a present capitalization of 26.9 millions, while Cuba Cane, which turns out less than 4 million bags, has a capitalization of 85.7 millions in bonds and preferred stock alone, without counting the 500,000 shares of common of no-par value.

As the accompanying earnings figures show, it is almost unique among sugar companies in that it actually earned something on the common in the year ending September 30, 1922. It floated 9.5 millions of 8% first mortgage 8s in 1921, but this figure is but little more than its funded debt in 1917, when it had been earning on the old $100 par stock over $60 a share on the common for three years in succession.

This year the company has started operations earlier than usual at its two big plants, Chaparra and Delicias, in the eastern part of the island, where production costs are lower than in the western half. These two mills contribute 80% of the total output, while an additional mill is grinding this season which was idle in 1922.

The working capital position, which showed excess current assets of 13 millions at the end of the last fiscal year, has been improved since, inventory of six millions having been liquidated and bank loans, amounting to 4.4 millions, having been paid off by now. As this is the time when the company incurs operating expenses for the centrals it is evident that the cash position, which showed 1.5 millions on hand at the end of 1922, is sufficient for requirements.

Assuming that output will be at least the same as last year, and there is reason to expect it may be more, and an estimated pront of 1 cent a pound, earnings should be 8 millions for the current year, or after interest and preferred dividends, between $5 and $6 a share of $10 par value. In view of the strong financial position, therefore, it is reasonable to expect a resumption of dividends at $2 or $3 a share. **Present prices around 36 have gone a long way toward discounting this development, however, although for the long pull the possibilities of the company are excellent.**

Julius Kayser

Julius Kayser has an excellent earning record over a long period of years. The business was first started in 1880. In 1887, silk gloves became the chief product of the company, largely because of the patenting of a process for re-inforcing finger tips. The company also manufactures lisle and woven gloves, hosiery, silk and cotton ribbed underwear, dress nets and veiling.

Under a financial plan ratified by stockholders in March 1923 the old common stock was exchanged share for share for new $8 preferred stock and 25% in new common. In addition common stockholders were given the privilege to subscribed to new common stock at $20 a share. A majority of common and preferred stock was placed in a voting trust which expires 1927. Present capitalization consists of 4 million 7% bonds due 1942, 66,115 shares of no par preferred stock entitled to $8 per share per annum cumulative dividends and 115,700 shares of common stock of no par value. Present capitalization does not seem unduly large in view of the earning power the company has demonstrated in the past and the value of its assets. Earnings of the past 12 years show an annual average equal to about $7 a share on the present common stock outstanding, after allowing for present preferred dividend requirements. As of August 31, 1922, the net assets applicable to the common stock, after deducting good will, patents, etc., was equal to $40 a share, a good showing as the good will of this company is obviously of great value.

Julius Kayser came through the period of deflation in excellent style. Operating income for the year ended August 31, 1921, was up to the average but inventory depreciation brought earnings down. In spite of this the company was able to report a substantial surplus. For the year ended August 31, 1922, balance for the common stock on the basis of present capitalization was equal to about $10 a share.

The 4 million bond issue was put out early in 1922 and the proceeds are being used to increase the production of silk hosiery. Additional facilities will double capacity to 660,000 dozen a year.

With the outlook for business for the current year favorable, a demonstrated large earning power and a comfortable financial condition, dividends appear reasonably certain. The company could conservatively carry a $4 rate, which would make the stock at present price of 43 appear decidedly attractive.

Spicer Manufacturing

Spicer Manufacturing is the largest manufacturer of universal joints and propeller shafts in the United States and its products is considered standard equipment for automobiles. The company is also a large manufacturer of auto frames and axles. This business has been in profitable operation for many years and 1921 was the only year in its history in which a deficit was reported, this deficit having been brought about by depreciation in inventory.

In 1922, the company made an excellent recovery in earnings and on the basis of quarterly reports should show between $4 and $5 a share earned on the common for the full year. Plants at the present time are operating at capacity and the outlook is for a continuance of good business for some time to come. Large orders have been taken and still larger orders are anticipated. Under these circumstances, considerably larger earnings can be looked for in 1923.

Capitalization of the company consists of 1.8 million 6% notes due Oct. 1, 1923, and Oct. 1, 1924; one million bonds; 3 million 8% cumulative preferred stock and 313,750 shares of common stock of no par value. No dividends can be paid on the common stock unless quick assets, less debts due in the ensuing year, equal the outstanding preferred stock. As the working capital of the company is around 4 millions this restriction does not stand in the way of common dividends at the present time.

In the past six years earnings of Spicer have averaged $2 per share per annum. In view of the remarkable growth of the automobile accessory business in the past few years Spicer now is able to show a much larger earning power. With so favorable an outlook for 1923 and a good financial condition the directors would ap-

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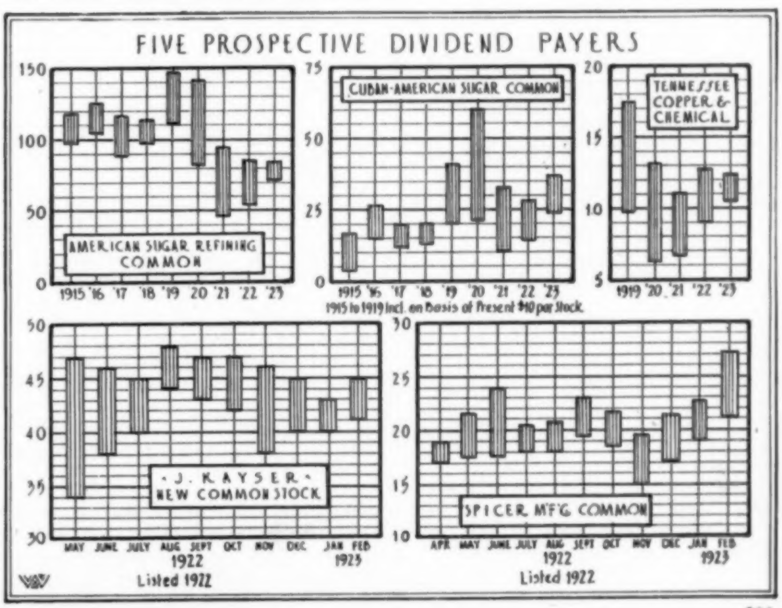


Willys Overland Company

Away to a New Start

Financial Position and Prospects for 1923

By A. H. PRENTISS

CONSIDERING that it is one of the five largest manufacturers of automobiles in this country, Willys-Overland has had an unusually rocky career in the last few years, when other companies were making money hand over fist. Its surplus account has been going down since 1916, and for the past two years there has been a profit and loss deficit.

The reasons have been many and various: operating inefficiency for a number of years, labor troubles, wide fluctuations in output, difficulties in financing have all played their part in addition to the troubles that all the other motor companies had to face. These three obstacles have been overcome, however, one by one, and in the opinion of many, Willys-Overland is now ready to get away to a new start which will enable it to repeat the good showing it made before the war.

The company was incorporated in 1912, as a reorganization of an older concern with the addition of a number of new units. Those now in operation consist of the Willys-Overland plant at Toledo, O., and the Garford works at Elyria, O., which manufacture complete cars; the Morrow unit, at Elmira, N. Y., making automobile parts, and the Federal plant at Indianapolis, Ind., which produces motors and parts. The organization, as a whole, produces all the parts needed for the complete car, except for wheels, tires and certain patented parts. Its output consists of two lines: the Overland, a low-priced car competing with the Chevrolet, Maxwell, etc., and a medium-priced car, the Willys-Knight, in a class with the Buick, the Studebaker, etc.

Through its British subsidiary, Willys-Overland-Crossley, Ltd., it expects to sell about 7,000 cars annually in normal times in Great Britain, and it also does an export business with Belgium, Holland, Scandinavia, India and South Africa.

The capitalization has been increased in every year but one since 1915, when it amounted to 25.4 millions. It now consists of 16.7 millions of first mortgage 7% notes, issued in June, 1922, to fund the bank indebtedness, and due on or before Dec. 1, 1923; 22 millions of 7% cumulative preferred, of $100 par, and 54 millions of common, of $25 par value, reduced from $100 par value in 1916. There is no longer any difference between the former two classes of preferred, one of which was convertible, owing to the expiration of the convertible privilege on the latter on Jan. 1, 1922, which had never been exercised.

WILLYS-OVERLAND CO.
EARNINGS AND DIVIDENDS

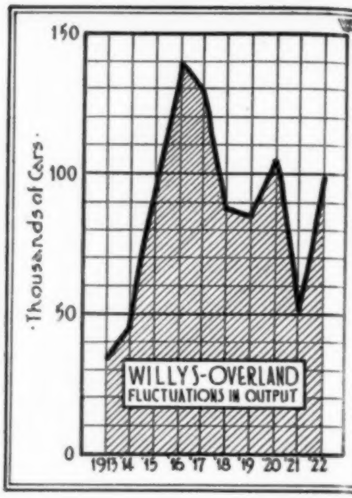
	Earned	Per Sh. Paid Cash	Per Sh. Paid Stock
1913	*$31.47	$11.00	...
1914	*27.97	6.00	...
1915	51.46	6.00	5%
1916	†5.75	4.50	5%
1917	2.71	3.00	5%
1918	2.86	1.00	...
1919	—0.07	1.00	...
1920	—3.15	1.00	...
1921	—7.20	....	...
1922	‡1.00	....	...

* Adjusted to present fiscal year.
† Common stock reduced from $100 to $25 per value.
‡ Estimated.

As the accompanying graph indicates, production has varied considerably, and has not in recent years come up to the 140,000-car mark reached in 1916. The schedule for the current quarter of 1923 provides for 45,000 cars, or including the peak of the summer demand, probably over 200,000 cars for the full year 1923, if there is no falling-off in the demand for automobiles throughout the year. This is a very large "if," however, and assuming that the trade estimates of a total production for 1923 of 2.5 million cars for the entire industry are correct, to sell 200,000 Willys-Overland cars the company would have to sell a larger proportion of the total sales of cars in the United States than it ever did before—this, too, in the face of the exceptionally severe competition which is expected to develop in the course of the current year.

During the greater part of 1920 the company was hampered by a severe strike, and got out what production it did only under the greatest difficulties. By the time the strike was settled and Willys-Overland was ready to go ahead at full steam, the 1920-1921 depression was under way, and the company was caught with huge bank loans and expanded inventories in the face of a rapidly-shrinking demand and falling prices. It was not until June of 1922 that the company, by reorganizing both its production methods and its financial management, began making profits.

It did so well with regard to increasing manufacturing efficiency that where 2½ man-power-hours had been used in 1921 on a given job, one hour sufficed in 1922 under the more efficient systems then installed. On the financial side, the note issue above mentioned was floated to get rid of the floating debt to the banks, who put three representatives on the directorate of the company; and litigation with the Willys-Corp. was compromised by the payment of $750,000 in notes to the latter, which retained ownership of one-third of the common stock of the Willys-Overland Co., which it alleged had been bought at excessive prices. At the same time it sold its distributing stations for 16 millions, its new policy being to sell through dealers. This is considered a move forward, as it enables a more efficient distribution of the company's output.



The company has always carried its good-will, patents, etc., at 14 millions, but by Sept. 30, 1922, raised this item to 15.3 millions. At the same time it brought down its item of "investments in and advances to other companies" to 1.2 millions from the high point of 20 millions in 1918, from which it had steadily been declining. Inventories were also sharply cut from 38.7 millions in 1918 to 17.7 at the end of 1921, from which they recovered to 19.3 millions by September, 1922. It is doubtful whether even this figure fully reflects the sharp cut in values that started in 1920, as in the first six months of 1922 the company was still deducting inventory losses to the amount of a quarter of a million. This was in the face of reserves set aside in 1920 and 1921 to provide for inventory depreciation of various kinds, amounting to 10.5 millions, and a revaluation of the company's property during 1920 which led to an increase of 13.3 millions.

The working capital position is much weaker than in previous years. From 1915 to the end of 1920 it averaged 22 millions, including, of course, heavy inventory valuations. By the end of 1921 it had sunk to 3 millions, to recover by September, 1922, to 7.6 millions. This was in the face of a steady decline in bank indebtedness, which amounted to 10.2 millions in 1915, and reached a high point of 30.4 millions in 1919, from where they went down at the rate of 6 millions a year till the end of 1921.

At the end of 1921 the company had a profit-and-loss deficit of 8 millions, compared with a surplus of 27.6 millions in 1916. Through gross earnings of 4 millions during 1922 it is believed this deficit was cut in half, and if 1923 is equally good the company may be able to consider distributions on the preferred stock by 1924.

The latter has paid no dividends since Oct., 1920, and thus carries arrears of 15¾%. It is currently quoted around 48, representing about 32 with the back dividends off; and the common is about 8. The common stock is obviously highly speculative. The preferred stock, however, contains possibilities of a speculative investment order.

A Well-Managed Industrial

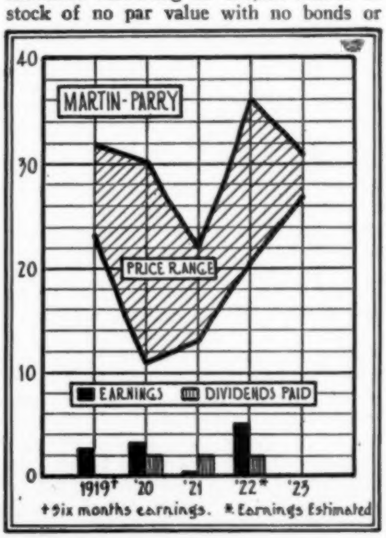
Successful Methods of Manufacture Lead to Good Profits—Position and Outlook of the Stock

By FREDERICK LEWIS

MARTIN-PARRY devotes its plants solely to the manufacture of automobile commercial bodies of the lighter types, designed particularly for delivery and express wagons. During 1920, the company put into effect plans for the manufacture of a standardized line of commercial bodies, built sectionally. This method was a radical departure in commercial body construction and enabled the company to greatly reduce manufacturing and transportation costs and to substantially increase the productive capacity of its plants. The idea met with instant success as it enabled the company to put commercial bodies on the market at a much lower cost than had yet been possible.

Martin-Parry has adopted the policy of keeping the margin of profit relatively small in order to develop a large volume of business. This policy has met with decided success as it has persuaded large manufacturers to push the Martin-Parry product. Chevrolet Motor Co., for example, constructs its chassis so that the bodies are readily adjustable and recommends them to purchasers, and other light-truck manufacturers have taken similar steps. As a result, sales of bodies have shown a steady increase and in 1922 broke all previous records.

Martin-Parry in its present form was incorporated in 1919 as a combination of the Martin Truck & Body Corporation and the Parry Manufacturing Co. both of which corporations had been in business since 1900. The financial structure of the company is a very simple one, capitalization consisting of 100,000 shares of stock of no par value with no bonds or other securities of any kind outstanding. On this capitalization, dividends were inaugurated in March, 1920, at the rate of $2 per share per annum and, despite the business depression in 1921, this rate has been maintained up to the present time. In 1921, the company actually sold more bodies than in 1920, although the truck industry was practically at a standstill. Price reductions and depreciation in inventories, however, reduced earnings so that the company only broke out even on the year which, under the circumstances, was a very good showing.



HOW MARTIN-PARRY IS RATED

Element	Qualifications	Rating	Rating No.
(1) Character	Important Industry	Good	4
(2) Past Record	Incorporated in 1919	Fair	3
(3) Future Possibilities	Business Growing	Good	4
(4) Management	Efficient	Good	4
(5) Financial Strength	Obligations small	Good	4
(6) Earning Power	Increasing	Good	4
Maximum Number of Points, 30.			23

Recovery of Eearnings

Earnings in 1922 recovered sharply. Throughout most of the year they averaged $50,000 a month after all charges and federal taxes. Allowing for the seasonable declines at the beginning of the year, it is reasonable to expect that for the full year about $4.50 a share will be shown earned on the stock which is 2¼ times the present dividend requirement.

Lumber is one of the most important raw materials used by the company and recently a five-year contract was closed with the Edwin Hine Lumber Co. of Chicago. Contract calls for the erection of two plants at Lumberton, Miss., one to be used as a cutting-up plant by the lumber company and the other to be built by Martin-Parry for finishing and assembling base and body top units. This co-operative plan is expected to effect substantial savings. In addition to its two principal manufacturing plants at York, Pa., and Indianapolis, Ind., where complete truck bodies are manufactured and shipped out in sectional form, the company has assembling branches throughout the country where complete lines of commercial bodies are carried. This relieves the dealer of the necessity of tying up his money in body stocks and has been a great aid to sales.

Financial Condition

Last balance sheet available as of December 31, 1921, shows the company in good financial condition with a working capital in excess of one million, ratio of current assets to current liabilities being 5 to 1. Net tangible assets applicable to the stock on that date were equal to approximately $29 a share. It is reported that at the present time the company is entirely free of bank loans.

Under The Magazine of Wall Street's rating system Martin-Parry is only given 23 points out of a possible 30. This rating is necessarily low as the company has only been in its present line of business a relatively short time and, while it has made excellent progress and the outlook is favorable, a higher investment rating should not be given until it has become more thoroughly seasoned. Greater competition is a possibility in the future but it is likely that this company will be able to hold its own for, by being the first in the field and adopting a liberal policy toward its customers, it has made business affiliations that it will be difficult for competing interests to break into. Officials of Martin-Parry are looking forward to increased business in the current year and are prepared to turn out a much larger number of bodies than in 1922.

Martin-Parry stock is closely held and it was not until 1922 that much market activity was seen in the stock. In the preceding years, its market was very thin, the purchase or sale of a few hundred shares of stock causing a considerable price change. Starting with January, 1922, a much better market was made in the stock which has been continued up to the present time. Despite the fact that the $2 dividend was continued without a break through 1920 and 1922 the stock sold as low as 11 in the former year and 12 in the latter. These low prices were due to poor general market conditions and the fact that Martin-Parry stock was an unseasoned security which had not acquired any standing among investors. At the present time the situation is very different. The management has proven its ability by going through a period of depression without sustaining any serious losses and has succeeded in steadily increasing the busi-

(*Please turn to page* 843)

Brilliant Outlook for the Equipments

Resuscitation of Equipments' Best Customer and What It Means by Way of Potential Profits

By JOHN MORROW

IF your best customer had been between the devil and the deep sea for four long years, you undoubtedly would have had to depend upon stored-up reserves, and to have been wishing and hoping against the day when said customer would begin to see daylight. That has been about the situation existing between the equipment companies and their best customers, the railroads.

Normally the U. S. railroads need betweeen 150,000 and 200,000 new freight cars annually, but from the years 1916 to 1921 car orders averaged below 65,000 annually; in 1921 were less than 24,000. Of course the position of the equipment companies was not nearly so desperate as if the above had told the whole tale. As a matter of fact the plants of the equipment companies were easily and readily diverted to contracts for war materials and consequently they prospered even though the railroads were buying little.

Fortunately the equipment companies did not indulge in the staging of barbecues for the benefit of shareholders, but stored up profits from war contracts and, in the great majority of cases, did not have to borrow to tide over the post-war deflation period, thereby keeping capitalization almost stationary. Also they were able to maintain regular dividend payments upon the common shares. The change for the better came in 1922, increased in intensity as that year went toward its close and the impetus carried over into 1923. In fact, present prospects point to big earnings for the equipment companies.

The large orders from the railroads are not due to the fact that the carriers are so well entrenched financially that they can spend freely from surplus in order to replace worn-out equipment and add to rolling stock and motive power, but to the fact that additions and replacements became a matter of strict necessity. A substantial part of the equipment orders is being paid for through the issuance of equipment trust certificates; in other words, with borrowed money. Equipment trust certificates are prime investments as a class and the interest rates paid on their face values are relatively low. The return on such securities in the current markets range in the neighborhood of 5%. Of course, it would be ideal were the railroads able to pay for the larger proportion of their equipment needs with accumulated surplus, but the manner of paying has no immediate relation to the business outlook for the equipment companies which make cars and those which make locomotives.

According to official figures, 2,600 locomotives were ordered for domestic service in the United States during 1922, compared with 239 reported in 1921. Another estimate figured that at the end of 1922, the three large locomotive builders, Baldwin, American and Lima, had on their books over 100 million dollars of business, as compared with less than 20 million dollars at the beginning of the year. In other words, they were booked, as 1923 came in, well into the summer. According to the official sources, freight cars ordered during 1922 totaled 180,000 against less than 24,000 in 1921 and the largest total since 1912. The freight-car builders were rather slow getting into quantity production and the actual output in 1922 was less than one-half of the orders placed in that year, indicating a large carryover into 1923. While both the locomotive builders and the manufacturers of freight cars received orders in 1922, particularly during the closing months, the reflection of these orders will be fully expressed in 1923 earnings, not in the returns for 1922. There are six equipment companies which usually attract the bulk of speculative interest in the stocks of this group, namely: Baldwin, American Locomotive, Lima Locomotive, American Car & Foundry, Railway Steel Springs and Pullman, and an analysis of the position of each of these companies follows:

BALDWIN The annual report of Baldwin Locomotive for the year ended December 31, 1922, recently published, has attracted considerable attention because of the fact that included in income account was a special dividend of 3 million dollars received from the Standard Steel Works, all of whose stock Baldwin owns. If this special dividend were left out of consideration and the actual consolidated income account of Standard Steel Works alone considered, the amount applicable to the common stock of Baldwin was $7.80 a share. The dividend on Standard Steel Works amounted to the transfer of that amount from the surplus of the subsidiary to the proprietary company and apparently represented accumulations stored up as a result of war contracts. Considering the orders completed in 1922, it is quite satisfactory enough that Baldwin succeeded in covering dividends on the common stock without the help of this extra dividend. Gross sales in 1922 were 33 million dollars and it is expected that the 1923 total, on the basis of business on hand, will approximate 75 million dollars.

Foreign Business

One feature of Baldwin's business during the past few years, and one which has caused a large amount of comment, has been the policy of accepting orders from foreign countries whose financial standing, in the eyes of the general public, is hardly of the best. These orders included contracts placed in Poland, Roumania, Argentina and Mexico, the Baldwin Company receiving in payment bonds of those countries.

Some observers have been inclined to adopt a cynical attitude as to the ultimate integrity of these securities, but the Baldwin people apparently have not lost faith and believe that their investments in foreign bonds will be paid off dollar for dollar. It may be semi-speculative business, but the Baldwin management at least has had the courage of its convictions and must have established a not negligible amount of good-will by its willingness to do business on a collateral credit basis.

Conclusion

Baldwin has made no change in share capitalization and has cut down funded debt through the operation of sinking fund. Practically speaking, total bond and share indebtedness has remained stationary for years. The first mortgage 5s, due 1940, are a high-grade investment and the 20 million dollars 7% cumulative preferred, upon which dividends have been paid regularly since organization in 1911, are certainly good-grade.

The casual stock-market observer, unacquainted with the ways of the Street, might at times wonder whether Baldwin common represented a share in one of the country's greatest industrials, or whether it was merely a stock-market counter. The stock is a favorite speculative medium and its fluctuations frequently are governed by speculative whims as to general business and political conditions, rather than by specific developments affecting the prosperity of the Baldwin Locomotive Works.

At present prices, paying 7% dividends, shares do not give a liberal income return, but asset value is close to 200 dollars a share, there has been no distribution of stored-up reserves, floating supply is not large and the hope persists, that should prospects for the equipment business be borne out by actual results, Baldwin shareholders will benefit to a greater extent in income returns than they have so far. Baldwin common may not be a suitable stock for the average outside speculator, but nevertheless sound value is back of the shares.

AMERICAN LOCOMOTIVE Unlike Baldwin, American Locomotive has not gone in for foreign business. Like Baldwin, it has made no change in capitalization for years and the management has contented itself with being conservative in the matter of dividend payments. The company did not escape the effects of business depression. At the end of 1920, unfilled orders exceeded 24 million dollars. As of June 30th, 1922, unfilled orders were 9

million dollars of which about 93% was domestic business and 7% foreign business. By August last year, unfilled orders were 100% larger than the total on June 30, 1922, and at the present time they are said to be almost 50 million dollars, or twice the total of two years ago. The detail of these figures may seem to be repetition for the sake of the record, but they illustrate better than anything could the improvement, and are as strong proof as may be obtained of the prospects for good earnings, and reason for the strength and stability of the common shares.

American Locomotive's report for 1922 is not yet available, but the deficit of over 900 thousand dollars reported for the first half of the year is now of no consequence whatever because of the vast improvement which occurred during the second half of the year. It has been said that American Locomotive could cover dividends upon the 25 million dollars 7% preferred stock with income received from investments in securities and from cash surplus. This has been cited to prove the financial strength and it is well worth noting that on June 30, 1922, there were no loans payable and in treasury was over 24 million dollars in cash and marketable securities. Another fact worth keeping in mind is that during the war period when plants of all kinds were in great demand, the management adopted the policy of concentrating manufacturing operations instead of expanding, and thereby reduced the number of plant units.

Conclusion

American Locomotive has no funded debt outside of less than two million dollars bonds of constituent companies, therefore the 7% cumulative preferred constitutes practically the first claim upon earnings. The dividend has been paid regularly since 1909 and the stock ranks among the best-grade industrial preferred issues.

There are 250,000 shares common stock outstanding having a par value of $100 upon which the dividend rate is $6. Current earnings are probably running at twice dividend requirements. The floating supply of the stock in the market is small, or relatively so, and Wall Street believes that large blocks have been taken out of the market during the past year in anticipation of the time when the dividend rate would be increased above $6. **It is not a sensational stock, but at times has rather wide fluctuations. Like Baldwin common it is not selling strictly on current dividend return, but at a level which undoubtedly is taking into consideration the possibilities of the business outlook and all that means in increased earnings.**

LIMA LOCOMOTIVE Lima Locomotive, although a smaller company than either Baldwin or American, has had an interesting record during the past two years. The company was incorporated in 1916 and in its first year had net earnings of 500 thousand dollars. In 1921, net earnings were double that amount. Up until the middle of 1922, there were only 48,500 shares of $100 par common stock outstanding which were closely held and the object of only a limited amount of speculative attention. Earning power on this stock had grown to a point where dividends of $7 were conservatively possible. Then the management decided to split up the common stock with the result that the number of common shares outstanding was increased to an authorized amount of three-hundred thousand without par value. The preferred stock has the right to be converted into common on the basis of two shares of common for one preferred.

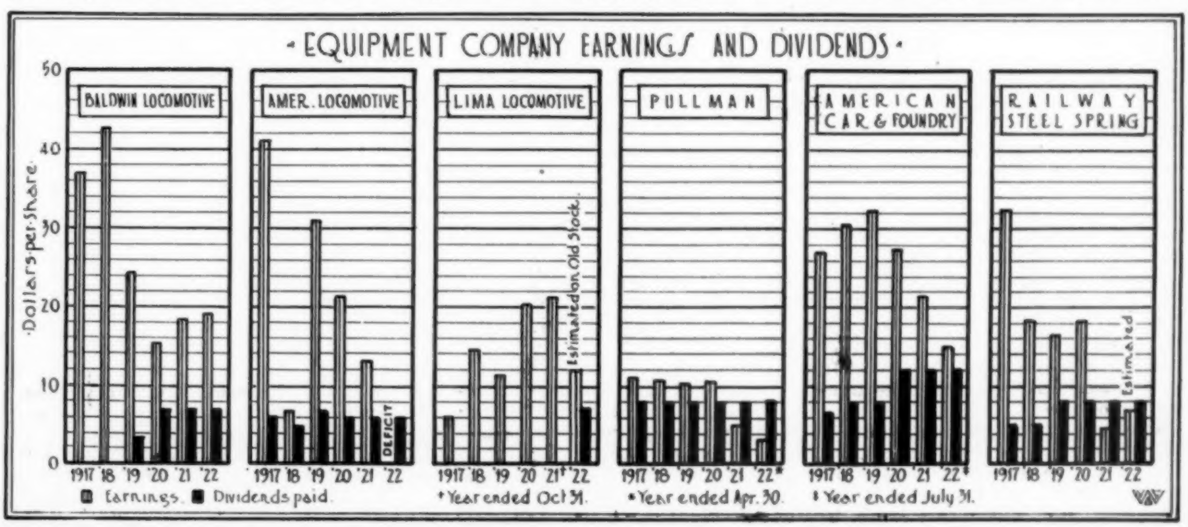
Growth in Earning Power

Lima is smaller than either Baldwin or American, but it has grown so in the past five years in earning power that the stock has come to be quite generally known. Unfilled orders on the company's books are between 15 and 20 million dollars, which to Lima means as much as the unfilled orders to the books of Baldwin and American mean to those two companies.

Last year Lima undertook to increase plant facilities and this program of enlargement is nearing completion and will result in an increase in capacity of about 50%. In addition to the interest aroused by the general improvement in the equipment industry, Lima has been the object of special speculative attention owing to the rumors from time to time to the effect that the company would be merged with some other equipment concern. Pullman has been mentioned in this connection.

The original issue of Lima preferred was only a little over 3 million dollars and, naturally, the amount outstanding will vary as the shares may be converted into common. A dividend rate of $4 was inaugurated on the new common stock and for weeks, or rather months, the shares sold on a basis where they returned better than 6%. Quite recently they have had a spirited advance, rising from below 40 to over 70. **Among other things, this rise suggests that possibly there may be grounds for merger or consolidation rumors, but at the present time it seems to be more or less a matter of speculative conjecture, and allowance should be made for that speculative factor in considering the value which the market places upon the stock.**

PULLMAN COMPANY Pullman not only manufactures passenger and freight cars but, as is well known, owns some eight thousand Pullman cars, which makes its situation somewhat different from that of companies which are solely manufacturers of equipment. By the acquisition of Haskell & Barker Company, early in 1922, Pullman largely increased its car-building capacity and, insofar as speculative reflections upon the common stock go, it is altogether likely that the car-building end of the business is of more importance than the ownership of Pullman cars. As is generally known the Interstate Commerce Commission has jurisdiction over Pullman rates and during the past year there has been considerable agitation for reductions. The railroads, and not the Pullman Company, receive the benefit from the surcharge that is now in effect, but any reduction in Pullman fares would naturally have a direct influence upon the situation of the Pullman Company. Pull-



man is conservative in the manner in which it carries the value of cars on the balance sheet and it may be roughly estimated that the present replacement value of these cars is approximately 70 million dollars in excess of book value, an amount equal to over fifty per cent upon the outstanding capital stock.

In the two fiscal years ended July 31, 1922, actual earnings fell short of dividend requirements, but in the last-named fiscal year the company received over 7 million dollars from the Government in settlement of claims growing out of the period of Federal control. Pullman's only capital obligation is 135 million dollars stock, having a par value of one hundred dollars. There is no funded debt. Dividends have been paid for almost fifty years and for years preceding the war period the stock was regarded as more of a semi-investment issue than as a speculation. The speculative element has increased during the past three years largely because of the relatively poor earnings in the 1921 and 1922 fiscal years.

This factor, however, is not in the foreground at the present time. Emphasis is now placed upon the big increase in car orders. Pullman's latest available balance sheet as of July 31, 1922, revealed an excellent treasury position, so there has been no uneasiness on that score. It is generally believed that the company should be able to earn and to cover adequately the present eight per cent dividend. **The price of the stock is perhaps high enough on that basis, and price enhancement above current levels may depend more upon possibilities of consolidation or of dividing the car-operating business and car-building business into two separate companies, than upon the fact that with the improvement in business the eight per cent dividend will be comfortably earned.**

AMERICAN CAR & FOUNDRY As of April 30, 1922, American Car & Foundry, perhaps the premier car builder of the country, showed in reserve accounts on the balance sheet an item of 10.8 million dollars as a dividend reserve, an amount equivalent to three years payments at the rate of twelve dollars a share per year. This account has been emphasized and discussed many times in all reviews of American Car & Foundry but its importance remains as strong as ever. It is also important to note that the company came through the period of depression without having to call upon this reserve in order to make up dividend requirements which current earnings did not furnish. Even in the year ended April 30, 1922, dividend was more than earned.

It may be said that the war "made" American Car & Foundry. In the four years immediately preceding that period, the earning power of the common was just about sufficient to pay dividends of two per cent. In the succeeding six fiscal years, total earnings were equivalent to 150 per cent on the common, and dividend payments were conservative. The result of this was to place the company in a position where it is estimated that pre-

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Good Demand for Preferred Stocks

Practically All Classes Show Gains

THE entire preferred stock market was strong during the past two weeks and some important gains were made. Among the most conspicuous were American Can preferred which gained several points, Associated Drygoods 1st preferred which gained about the same amount, Philadelphia Co. and North American Co. preferred which made large advances and Colorado & Southern 1st preferred which gained about 3 points.

In the semi-speculative group, the following were distinguished by large advances: Famous Players, Mack Trucks 1st, and California Petroleum.

Despite the gains made by preferred stocks since this table of recommendations was initiated in this Magazine, there are still an exceptionally large number of issues in an attractive position.

Money conditions remain favorable for investment in issues that yield a high return and whose companies are steadily improving in earnings. A considerable number of such issues will be found in the middle-grade and semi-speculative groups listed on the accompanying table. On the whole, greater interest is being exhibited in such issues than among gilt-edge preferreds which is somewhat parallel to the present situation in the bond market which is witnessing a revival of speculative interest in the inferior grade of bonds and stagnation in the better class of such issues.

PREFERRED STOCK GUIDE

Sound Investments

	Div. Rate ($ Per Share)	Appx. Price	Appx. Yield	Dividend *Times Earned
INDUSTRIALS:				
1. Cluett-Peabody	7 (c.)	108½	6.4	4.5
2. General Motors (debs.)	7 (c.)	98	7.1	(y) 5.4
3. American Woolen	7 (c.)	111½	6.2	2.9
4. Loose-Wiles (1st pfd.)	7 (c.)	110	6.3	3.5
5. American Can	7 (c.)	114½	6.1	2.2
6. Baldwin Loco	7 (c.)	116¼	6.0	5.4
7. Endicott-Johnson	7 (c.)	114	6.1	(x) 4.0
8. Standard Oil of N. J.	7 (c.)	117½	5.9	5.9
9. Allied Chem. & Dye	7 (c.)	110½	6.3	(w) 4.5
10. Standard Milling	6 (n. c.)	93½	6.4	4.6
PUBLIC UTILITIES:				
1. North American Co.	3 (c.)	48	6.2	(x) 5.0
2. Philadelphia Co.	3 (c.)	44¼	6.6	5.7
RAILROADS:				
1. Ches. & Ohio (conv. pfd.)	6.50 (c.)	104	6.2	(z) 6.6
2. Baltimore & Ohio	4 (n. c.)	60⅛	6.6	3.0
3. Chi. & N. W. (part. pfd.)	7 (n. c.)	117	5.9	6.3
4. Colo. & Southern (1st pfd.)	4 (n. c.)	61	6.5	8.2
5. Reading (1st pfd)	2 (n. c.)	53½	3.7	13.7

Middle-Grade Investments

	Div. Rate ($ Per Share)	Appx. Price	Appx. Yield	Dividend *Times Earned
INDUSTRIALS:				
1. Genl. Amer. Tank Car	7 (c.)	101½	6.8	(v) 5.7
2. Assoc. Drygoods (1st pfd.)	6 (c.)	88¼	6.8	2.7
3. J. Kayser & Co. (1st pfd.)	8 (c.)	101¾	7.8	1.8
4. Brown Shoe	7 (c.)	98	7.1	3.1
5. Amer. Smelting & Ref.	7 (c.)	101⅛	6.9	2.5
6. Allis-Chalmers	7 (c.)	97	7.2	3.2
7. Beth. Steel (conv. pfd.)	8 (c.)	110⅛	7.2	6.9
8. Bush Terminal Bldg	7 (c.)	98	7.1	1.1
9. U. S. Ind. Alcohol	7 (c.)	98	7.1	8.9
10. Natl. Cloak & Suit	7 (c.)	102	6.8	3.0
11. American Sugar Ref.	7 (c.)	107¼	6.5	1.8
12. Cosden & Co. (conv. pfd.)	7 (c.)	109⅜	6.4	(x) 14.6
13. Sears-Roebuck & Co.	7 (c.)	113	6.1	15.7
14. Cuban-American Sugar	7 (c.)	102	6.8	8.0
RAILROADS:				
1. Pere Marquette (prior pfd.)	5 (c.)	74	6.7	3.3
2. Colo. & Southern (2nd pfd.)	4 (n. c.)	52½	7.6	7.2
3. Chic., R. I. & Pac.	7 to 5 (c.)	94	7.4	2.2
4. Pittsburgh & W. Va.	6 (c.)	90⅛	6.6	2.0

Semi-Speculative Investments

	Div. Rate ($ Per Share)	Appx. Price	Appx. Yield	Dividend *Times Earned
INDUSTRIALS:				
1. Famous Players-Lasky	8 (c.)	99½	8.0	(w) 6.4
2. Mack Trucks, Inc. (1st pfd.)	7 (c.)	96	7.2	1.8
3. Worthington P.&M. ("A" pfd.)	7 (c.)	83	8.4	6.6
4. U. S. Rubber (1st pfd)	8 (n. c.)	103	7.7	2.6
5. Fisher Body of Ohio	8 (c.)	99¼	8.0	...
6. Orpheum Circuit	8 (c.)	89½	8.9	3.1
7. Cal. Petroleum (part. pfd.)	7 (c.)	99	7.0	(w) 2.6
8. Pure Oil (conv. pfd.)	8 (c.)	99½	8.0	6.0
9. Stern Bros.	8 (c.)	111	7.2	.8
PUBLIC UTILITIES:				
1. Market St. Rwy. (prior pfd.)	6 (c.)	68¼	8.7	3.5
2. Amer. Waterworks (1st pfd.)	7 (c.)	91½	7.6	(w) 1.5

(n. c.) Non-cumulative. (c.) Cumulative.
* Average for last five years. (v) Average for last four years. (w) Average for last two years. (x) Average for last three years. (y) Average for last four years. (z) Stock was issued this year. Figures represent number of times dividend would have been earned had stock been outstanding.

More Inflated Securities

The Term "Inflated Securities" Defined — Three Examples Analyzed

By FERDINAND C. BULWINKEL

THE term "Inflated Securities" which was used as the title of an article appearing in THE MAGAZINE OF WALL STREET of February 3, 1923, appears to have been misunderstood by some of our readers. The word must not be taken to mean that some unfair or purposely misleading influence has forced the price of the stock which we consider "too high" to unjustified levels. When a stock is considered "inflated" it is simply meant that it falls strikingly short of the standards by which one normally measures the investment value of a stock at a given price: earnings, yield, dividend prospects, financial position, and the like. Having discovered that these factors do not justify the current market price of a given stock, it is sugested that those who hold it sell, on the ground that they may not be able to get such good prices for their holdings later on, and that those who do not hold it stay out of it. Otherwise the term "inflated" carries no implications as to the nature of the market for the stock or the reasons which have caused it to sell too high.

These reasons may be of various kinds. A stock may have been carried up to an unusually high price because of hopes of some favorable development, which seemed reasonable at the time, but which have since failed to materialize, while the stock has failed to respond to the unfavorable alteration in its outlook. This often happens in the case of an expected merger, an expected good earnings statement, favorable court decision, etc. Or again, a stock which represents one of the less prosperous members of a prosperous industry may be carried up unjustifiably high because of the known good outlook for the industry as a whole. In this case a switch from the particular stock in question to another in the same industry is usually advisable. Sometimes the outlook for a whole industry may change in a short time, as when overproduction is discovered to have taken place, or the export demand dies off, before the market for the stocks involved reflects the changed outlook; in which case the proper course of action is to switch to an entirely different industry.

All this, evidently, takes no account of market manipulation in certain special stocks which may carry them up too high. It is usually dangerous to go by this factor, however, as there is a strong tendency to attribute to market manipulation a high price for a given stock which would be found perfectly justified if one knew the inside facts better. Moreover, it is always perfectly legitimate to ask why a pool, which presumably risks enough money in its operations to take the trouble to find out the real situation in the stocks which it handles, should pick on a poor stock rather than a good one, and the presumption is that there is some intrinsic merit which has not yet been revealed to the public at large in the stock in which the pool operates. This does not mean that the pool is always necessarily right, or that even if the pool is right, it is sensible to buy what the pool buys on the ground that they ought to know what they are doing, regardless of price. There always is a point, early in a pool's operations, beyond which participation by the public becomes dangerous—that is the point at which the pool ceases to accumulate and begins to distribute. Merely knowing that there is a pool in a certain stock does not therefore mean that it is wise to buy it, any more than that it is necessarily selling too high. The question whether a stock is or is not selling too high has to be settled on the basis of pure investment considerations, irrespective of one's theories or surmises or tips about pools.

An instance of a stock in which the fact of market manipulation is public knowledge, but is immaterial to the market student's final decision, is the

PIGGLY WIGGLY STORES, INC.

The various organizations constituting the Piggly Wiggly system have received a good deal of publicity in recent months, through the bankruptcy of some of the companies in the system, the spectacular decline in the value of the stock listed in New York, the published announcement of the intention of the president of the corporation to come to New York and punish the bears, followed by a steady rise in the stock while loaning flat, and the reported investigation of the whole proceedings by the New York Stock Exchange.

To understand the situation, it must be analyzed into its components. The foundation for the entire structure is the patented Piggly Wiggly method of selling groceries and variety goods, which consists in customer self-service. The purchaser passes along aisles, stocked with merchandise, takes what he wants, and puts it into a bag supplied by the company. When he is through buying, he leaves by a different exit, where his purchases are wrapped up to be taken home and payment is made. The idea of this method is to make the customer pass in review stocks of all merchandise carried by the store on his way out, which is intended to stimulate sales. At the same time it is claimed that fewer clerks are required and that the customer gets through with his purchasing faster, increasing the speed of turnover of the store.

With this as a center, three separate

(*Please turn to page* 852)

MAGAZINE OF WALL STREET'S RATING ON THREE COMPANIES

AMERICAN HIDE & LEATHER CO.

Element	Qualifications	Rating	Rating No.
(1) Character	Necessity of life	Very Good	5
(2) Past Record	Preferred dividends passed	Bad	1
(3) Future Possibilities	No outlook	Poor	2
(4) Management	Indifferent	Fair	3
(5) Financial Strength	Good cash position	Good	4
(6) Earning Power	Rarely earned dividends	Bad	1
Maximum Number of Points, 30.			16

UNITED DRUG CO.

Element	Qualifications	Rating	Rating No.
(1) Character	Semi-luxury	Good	4
(2) Past Record	Variable	Fair	3
(3) Future Possibilities	May expand further	Good	4
(4) Management	Speculative	Fair	3
(5) Financial Strength	Abundant liquid assets	Good	4
(6) Earning Power	Not established	Fair	3
Maximum Number of Points, 30.			21

PIGGLY-WIGGLY STORES, INC.

Element	Qualifications	Rating	Rating No.
(1) Character	Essential	Excellent	5
(2) Past Record	Irregular	Fair	3
(3) Future Possibilities	Uncertain	Fair	3
(4) Management	Speculative	Fair	3
(5) Financial Strength	Not well balanced	Fair	3
(6) Earning Power	Unseasoned	Fair	3
Maximum Number of Points, 30.			21

Will Sugar History Repeat Itself?

Possibility of World Sugar Shortage Starts Bull Move in Commodity and Securities—What the Sugar Companies Stand to Gain

By MAXIM GOULD

THE possibility of a sugar situation approaching the runaway markets of 1920 is indicated in a study recently published by the Department of Commerce. It points out that the supply of old-crop sugar on hand in Cuba at the end of 1922 was not more than 8,500 tons, compared with the record high figures of 1,200,000 tons the year before. At the same time Europe is importing heavily, to make up for its own deficiencies in beet-sugar production, buying at the rate of some 2,000,000 tons yearly where before the war its purchases amounted to a few thousand tons. The United States itself consumes about 5,500,000 tons annually, but it is helped out by its own production of cane sugar, principally in Louisiana and other southern states, and of beet sugar in the Far West.

For the world at large, production has gone up 125,000 tons during 1922 over 1921, while consumption requirements are estimated to have increased by fully 350,000 tons. In 1921, consumption was also in excess of current production, but there was the huge reserve left over after the 1920 debauch to fall back on. Now there is no such buffer, and with an excess consumption of 725,000 tons, the question arises, where is the extra sugar to come from?

Domestic beet sugar production has fallen considerably, being roughly 60% of the 1921 crop, on account of the incentive that bigger profits in other crops than beets gave the farmer. Beet sugar companies therefore found themselves short of supplies of raw material. Domestic cane sugar production has shown an increase, but nothing near enough to counteract the increase in American consumption, which is far and away the biggest in the world, let alone the European demand.

In Europe the crop is roughly half what it was before the war, or estimated 4,750,000 tons, the biggest producers being Germany, France and Czechoslovakia. Europe, therefore, has no exportable surplus to meet the needs of England, which consumed roughly 1,400,000 tons last year.

There is consequently the possibility of a keen competitive bidding-up of sugar prices by the consumers most able to pay higher prices, while limited supplies will cause the sellers to hold back from the market. This is especially likely as the selling organization within Cuba has become concentrated into the hands of a few concerns, of great financial power, where formerly it was loosely held by numerous firms, most of them small and dependent on current profits for their continued existence. The result of such a situation would be a sharp upswing of prices, accelerated by speculation, such as in 1920 reached a feverish rapidity. At the same time the planters, seeing the high prices obtained for the raw and refined product, insist on higher prices for their cane, while the laborers in turn insist on higher wages, thus bringing up production costs to a plane corresponding more or less to the selling costs of the finished sugar. As the basis of the latter is unstable, however, depending on a shortage which may turn out to be only temporary, prices may break overnight resulting in a condition where the sugar companies get prices for their product based on 5 cents for refined sugar while their costs may be based on 15 or 20-cent sugar.

Possibility of a Slump?

Thus, after the period of excessive and unreasonable profits comes the period of excessive and unreasonable losses. The causes of the sudden reversal of prices in such a market are various: buyers may refuse to buy at the higher prices, substitutes may crowd out the natural product for the time being, unexpected sources of supply may be opened up, as in 1920, when large supplies came in from Java, which normally does not supply this market on account of the high freight rates.

Although these possibilities are realized in the trade, it is hard to stop an upward movement once the scarcity of sugar and the impending shortage are realized. This bull move began in December of last year, and has been continuing with increasing velocity and scarcely a setback ever since. It is significant that refined sugar, which follows the movement of raw spot sugar and sugar futures only at a leisurely pace as a rule, has recently been keeping step with the raw commodity, going up in price with every fresh increase in the price of raws. This is taken to mean by the trade that stocks of raws in the hands of refiners must be small, so that they are in the market continually.

From the facts now at our disposal, therefore, it would seem that the sugar market has commenced a bull move of considerable dimensions, even if it can be stopped before it becomes another runaway market. The effect of these conditions on the sugar companies is clear. Those that are in a strong financial condition, so that they do not have to sell their sugar as fast as they make it, and can sell only at or near the top of the boom, are in a position to make tremendous profit. On the other hand, they as-

EARNINGS AND DIVIDEND RECORD OF SIX SUGAR COMPANIES

AMERICAN BEET SUGAR CO.

Year	Earned Per Sh.	Paid Per Sh.
1913	$3.87	$1.25
1914	2.29	....
1915	8.68	....
1916	19.17	6.00
1917	38.82	20.00
1918	18.90	8.00
1919	6.00	8.00
1920	14.17	8.00
1921	—1.11	....
1922	—19.56	....

AMERICAN SUGAR REFINING CO.

Year	Earned Per Sh.	Paid Per Sh.
1913	—$0.63	$7.00
1914	2.90	7.00
1915	4.99	7.00
1916	18.46	7.00
1917	20.09	7.00
1918	16.45	9.25
1919	22.45	10.00
1920	2.78	9.25
1921	—4.99	3.50
1922	*9.00	....

* Estimated.

CUBA CANE SUGAR CORP.

Year	Earned Per Sh.	Paid Per Sh.
1916	$19.70	....
1917	8.63	....
1918	1.25	....
1919	7.77	....
1920	17.69	....
1921	—42.94	....
1922	—11.44	....

CUBAN-AMERICAN SUGAR CO.

Year	Earned Per Sh.	Paid Per Sh.
1913	—$1.95	....
1914	30.17	....
1915	70.65	....
1916	107.66	$20+ 40% in stk.
1917	63.41	20.00
1918	36.75	10.00
1919	67.67	10.00
1920	*116.34	*4.00
1921	—8.45	2.50
1922	1.47	....

* Par changed from $100 to $10.

SOUTH PORTO RICO SUGAR CO.

Year	Earned Per Sh.	Paid Per Sh.
1913	$5.91	$6.00
1914	2.46	4.00
1915	40.96	10.00
1916	63.52	40.00
1917	37.35	20.00
1918	27.74	20.00
1919	36.84	20.00
1920	69.65	20.00
1921	0.41	4.50
1922	—1.45	....

GUANTANAMO SUGAR CO.

Year	Earned Per Sh.	Paid Per Sh.
1913	—$2.34	....
1914	4.29	....
1915	20.96	$6.00
1916	16.12	6.00
1917	9.42	3.75
1918	9.01	5.00
1919	18,09	5.00
1920	*6.02	*1.75
1921	—4.31	1.25
1922	—0.02	....

* Par changed from $50 to $10.

sume huge speculative risks by taking such an attitude, as there is no telling when the market will break on them, as it is sure to do when prices have once passed a very moderate level, and may find themselves overloaded with inventories when there is no demand for sugar, when banks refuse to extend or continue accommodations on paper based on sugar transactions and clamor for payment, and when every fresh offer of sugar breaks the market still further.

Those companies, of course, which still retain large supplies of sugar at the present time, produced on a lower price basis, that is, which have paid relatively low prices to the laborers and the "colonos," or plantation tenant farmers, are in an unusually favored position, and in the event of a sustained rise in sugar prices might well make profits comparing favorably with those of previous boom years. For all others, however, the present strained situation in the sugar market presents an opportunity and a temptation which puts them into a highly speculative class. Their earnings, and hence presumably their market prices, may be expected to turn up sharply if the situation develops as it bids fair to do, in the early part of the boom, and to collapse sharply when the boom is over.

With these factors in mind let us consider briefly the position of some of the leading companies interested in sugar.

AMERICAN BEET SUGAR

This company is one of the largest in the beet-sugar industry, operating five plants in Nebraska, California and Colorado with a grinding capacity of 7,300 tons a day. It is a large owner of land for farming and grazing, and owns a small railroad in addition. Its great difficulty in its sugar operations has been to secure a sufficient supply of beets, as if it offers too high a price to the farmer its profits will be cut into, while if it pays too little the farmer will re-

(*Please turn to page 834*)

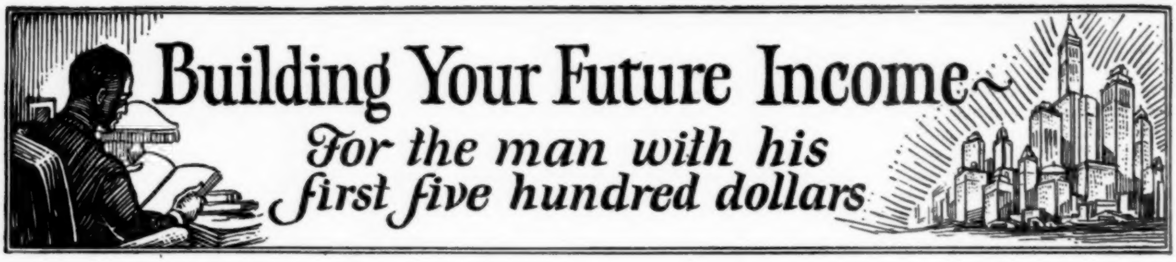
Industrial **Oil** ***Mining***

Investors' Indicator

Current Earnings—Dividends—Working Capital

Industrials—	Dollars Earned Per Share in 1921	Dollars Earned Per Share in 1922: 1st Six Months	Third Quar.	Fourth Quar.	Twelve Months	†Present Divid'd Rate	Recent Price	Yield on Recent Price (%)	Ratio of Current Assets to Current Liabilities	
Allis-Chalmers	4.07	def.	0.62	0.74	4.11	4	50	8.0	7 to 1	December 31, 1921.
Ajax Rubber	def.	0.17	....	....	....	....	14	...	5 to 1	June 30, 1922.
Air Reduction	4.11	2.76	1.18	2.74	5.23	4	63	6.4	6 to 1	December 31, 1922.
Amer. La France Fire E.	1.45	0.80	....	....	1.90	1	12	8.3	2¼ to 1	December 31, 1921.
Amer. Druggists' Syndicate	def.	0.15	....	....	0.63	....	7	...	12 to 1	December 31, 1922.
Amer. Hide & Leather pfd.	def.	def.	2.13	2.35	4.20	....	72	...	2¾ to 1	December 31, 1921.
Amer. Locomotive	13.34	def.	....	....	l...	6	127	4.7	5 to 1	December 31, 1922.
Amer. Steel Foundries	0.13	1.89	1.17	1.75	4.03	3	39	7.7	3¼ to 1	September 30, 1922.
Butterick Co.	5.23	2.07	....	....	....	....	19	...	3 to 1	June 30, 1922.
Central Leather	def.	def.	0.44	....	....	....	37	...	5 to 1	December 31, 1922.
Cluett-Peabody	def.	6.17	....	....	12.01	5	70	7.1	3¼ to 1	December 31, 1922.
Coca Cola	3.29	5.75	4.57	1.57	11.14	6	76	8.0	4 to 1	December 31, 1922.
Colorado Fuel & Iron	def.	def.	def.	....	....	....	30	...	3½ to 1	December 31, 1921.
Corn Products	9.21	6.83	3.71	....	....	c6	136	4.4	3 to 1	December 31, 1921.
Endicott-Johnson	10.79	5.55	....	....	13.77	e5	76	6.6	2¾ to 1	December 31, 1922.
Famous Players	19.01	7.92	3.21	....	....	8	88	9.1	2 to 1	December 31, 1921.
General Motors	def.	1.33	....	....	....	1.20	15	8.0	3¾ to 1	October 31, 1922.
Gulf States Steel	def.	2.10	1.90	3.00	7.26	4	94	4.2	3 to 1	December 31, 1922.
Hudson Motor	0.76	2.32	3.60	....	6.03	f2	29	...	1¾ to 1	May 31, 1922.
Hupp Motor	1.39	....	....	....	7.16	h1	26	3.9	2 to 1	December 31, 1921.
Lee Rubber & Tire	0.06	§1.85	....	....	....	2	29	6.9	11 to 1	December 31, 1922.
Mack Truck com.	def.	3.53	3.25	....	....	4	73	5.5	10 to 1	September 30, 1922.
Midvale Steel	def.	def.	def.	def.	def.	....	29	6.9	10 to 1	December 31, 1921.
Otis Elevator	12.02	6.96	3.56	....	....	8	150	5.3	8 to 1	December 31, 1921.
Owens Bottle	1.09	2.30	1.23	....	....	f2	46	4.3	6 to 1	December 31, 1921.
Pierce Arrow pfd.	def.	def.	def.	....	....	n....	32	...	m2½ to 1	December 31, 1922.
Remington Typewriter	def.	0.30	....	....	....	....	44	...	4 to 1	December 31, 1921.
Republic Iron & Steel	def.	def.	def.	2.48	j...	....	58	...	2¾ to 1	December 31, 1922.
Spicer Manufacturing	def.	....	1.24	....	....	....	26	...	5 to 1	December 31, 1922.
Stewart-Warner	2.19	3.94	3.45	3.84	11.23	i6	96	6.2	7 to 1	September 30, 1922.
Stromberg Carburetor	1.08	2.96	2.09	....	....	5	81	6.1	7 to 1	September 30, 1922.
Studebaker	16.10	18.01	7.19	....	k23.21	d10	119	8.4	3¼ to 1	December 31, 1922.
United Drug	def.	1.18	....	....	....	....	85	...	7 to 1	June 30, 1922.
U. S. Steel	2.24	0.88	0.98	0.97	2.85	5	107	4.7	6¼ to 1	December 31, 1921.
Vanadium	def.	0.04	....	....	....	....	43	...	Net current assets, $3,415,354.	
Oils—										
California Petroleum	11.45	6.41	2.77	....	....	7	83	8.4	2¼ to 1	August 31, 1922.
Cosden & Co.	0.17	*6.59	....	....	....	4	58	7.0	6½ to 1	October 31, 1922.
General Asphalt	def.	def.	....	....	....	....	48	...	2½ to 1	December 31, 1921.
Houston Oil	‡10.40	3.16	1.00	....	....	....	73	...	4½ to 1	December 31, 1921.
Mexican Petroleum	26.82	§44.06	....	....	....	16	280	6.0	4¼ to 1	September 30, 1922.
Marland Oil	1.85	§2.77	....	....	....	4	41	9.9	2¾ to 1	September 30, 1922.
Middle States Oil	*4.15	*1.55	*0.71	....	....	1.20	12	10.0	Net current assets, $2,447,235.	
Pacific Oil	4.64	1.94	0.69	....	....	3	46	6.5	2 to 1	December 31, 1921.
Pan-American A	12.94	g12.66	....	....	....	b8	81	9.9	3½ to 1	November 30, 1922.
Phillips Petroleum	*5.98	*7.07	3.10	....	....	2	58	3.4	2 to 1	June 30, 1922.
Pierce Oil	def.	def.	....	....	....	....	5	...	2¼ to 1	December 31, 1921.
Pure Oil	2.57	....	....	....	....	2	30	6.6	3¼ to 1	July 31, 1922.
Sinclair Consol.	def.	*4.18	....	....	....	2	34	5.9	3½ to 1	December 31, 1922.
Mining—										
American Smelting com.	def.	def.	....	....	g4.08	....	65	...	4¼ to 1	November 30, 1922.
American Zinc pfd.	def.	1.50	1.20	....	....	....	57	...	3 to 1	December 31, 1921.
Chino	def.	def.	def.	....	def.	....	29	...	2 to 1	December 31, 1922.
International Nickel	def.	def.	def.	....	....	....	15	...	14 to 1	September 30, 1922.
Nevada Consolidated	def.	def.	def.	....	....	....	17	...	10 to 1	December 31, 1921.
Ray Consolidated	def.	def.	0.04	....	....	....	16	...	9 to 1	December 31, 1921.
Utah Copper	def.	....	1.04	....	....	2	70	2.8	8 to 1	December 31, 1921.

* Before depreciation and depletion.
† Dividend rate given covers regular dividends on yearly basis.
‡ After deducting depletion of $1,034,542 and not including payments made by Kirby Lumber Co.
§ Nine months ended September 30.
b Stock dividend of 20% payable February 8.
c $3 extra paid January 20.
d Stock dividend of 25% paid December 29.
e 20% stock dividend paid February 15.
f Extra dividend of 25 cents declared.
g 11 months ended November 30, 1922.
h 10% stock dividend to be declared.
i $1 extra paid December 15.
j Earned $1.67 on preferred in 1922.
k On increased stock.
l Earned $4.40 on preferred.
m After giving effect to new financing.
n Earned 5.71% on preferred.



When You Look Back!

When You're Starting In
And the Difference Between What You Can Earn
And What You'd Like to Spend
Is a Debit Balance
It Takes Roosevelt Courage
And a Supply of General Grant Grit
Combined With Abe Lincoln Foresight
And a Dash of Edison Ingenuity
To Keep Red Ink Entries
Out of Your Personal Accounts.

* * * *

After You've Got Going
And the Cash Begins to Flow Your Way
It Takes Jim Hill Self-control
And John D. Rockefeller Persistency
Flavored, Strongly, With Carnegie Thrift
Not to Try to Hustle the Process
By Listening to the Get-Rich-Quickster
And the "I-Hear-That" Tipster—
But STICKING, Instead,
To an Enterprising Investment Program
That You Can be Sure of.

* * * *

But, Oh, Boy!
When the Struggle Years Are Over
And You Look Back—
And Balance Up the Time it Took
And the Results it Brought You
Together With the Happiness it Enabled You to Give
To Those You Love,
Will You Be Sorry for What You Did?
Or Think the Price Too High?
Well, I Once Heard That U. S. Grant said:
"I'll Fight it Out on This Line
If it Takes All Summer!"—
But I Never Heard That He Regretted
Saying Just That.
And If **You** Regret Your Fight, Why, Then,
A Home—a Family—a Car—
Enough Leisure, and Means Enough to Permit You to
Enjoy That Leisure—
Things Like This
Mean Less to You
Than They Mean to Me!

I Thank You!

Apologies to K. C. B.

Why Not A Two-Family House?

Thus Earning Your Rent

FROM readers who have been following the home-building analyses published by this Department come requests for an analysis of the two-family house idea.

"Why not tell about two-family houses, and show how they can be made self-sustaining?"

Responding to this request, the following is offered:

The Two-Family Plan

What is generally known as a two-family house is a dwelling having two living floors upon it, one above the other. The exterior of the house is made as effective, architecturally, as possible, the effect being, of course, to give the dwelling the appearance of a 1-family affair.

In many houses of this sort, but one main entrance will be visible from the street. Inside that entrance, however, there is a vestibule. And from the vestibule, two doors lead, one into a suite of rooms—say, five rooms, including kitchen and with bath—and the other opening on a stairway leading to a similar suite on the second floor.

Such houses may have but one central heating plant; but this is not generally the case. Separate heating plants are provided, most often, each suite being heated according to the discretion—and at the expense—of the occupant.

The cost of a dwelling modeled along these lines compared with the cost of a single dwelling of the same number of rooms is, on a rough average, about 20% more. Thus, where a single dwelling of 10 rooms and 2 baths might cost about $10,000, a two-family house, including two suites of 5 rooms and 1 bath each, would cost about $2,000 more, or $12,000. The additional cost springs from the separate plumbing systems generally required, the special entrance partition on the lower floor, and so forth.

In a number of cases in this department's observation, the owner of the 2-family dwelling, occupying the first floor suite, is able to secure, in the form of rental, from 60% to as much as 100% of the carrying charges on the entire establishment. The second floor suite, in several localities, is renting for around $13 a room; and for those who built some time ago, or before inflation set in in real estate values, it is obvious that the $65 a month rental from the 2nd floor will form a very nice percentage of total carrying charges. For those who have built more recently, it is not always possible to cut down the net costs quite so considerably. Nevertheless, the opportunity has been good enough to encourage quite a little construction of this type.

It is seldom difficult to obtain tenants for the upper half of the 2-family dwelling. Near New York, for example, it is obvious that five rooms and bath at $65 a month will have a very alluring sound by contrast with what you can get for the same money in a city apartment. Of course, you'd have to pay for coal, which you did not have to do in the city; but we can allow $10 a month for that purpose and the allurement won't fade much.

Why Don't They All Do It?

Acceping the reasonable stable fact cited above, viz., that 2-family houses offer a means of reducing one's home maintenance costs to little or nothing, the question may occur: Why does not everyone, or more nearly everyone, resort to this plan?

A little thought may serve to answer that question.

Every benefit has its compensating disadvantages in this world. And there are a number of disadvantages common to 2-family home-owning which, in some eyes, more than offset the benefits.

In the first place, 2-family homes, for the man who intends to live on the place (as most of them do intend, or would be required by their tenants, to do) presuppose a very unusual combination of landlordly-firmness and neighborly-fellowship on the part of the owner. His wife, his children and himself must be able to practically *live with* his tenant's wife and children without discord; there must be a certain amount of cordiality in their relations; and yet, at the same time, nothing in the close proximity of the two families must interfere with the business relationship which brought them together and which, to be maintained, must be evidenced by prompt collection of rentals once each month. Not everyone possesses this combination of tact and firmness. And yet, it is obviously essential to satisfactory results, and quite as important to consider as the financial side of the undertaking.

Secondly, 2-family houses, preclude, in some degree, the privacy and complete independence which most people build homes to obtain. It isn't like living in an apartment house, with dozents of other tenants all around you. It isn't even like running a boarding house, with eight or ten different persons dividing up relations and thereby rendering them somewhat more impersonal. It's a case of just two families living under the same roof—about the next thing to living together.

Financial Considerations

But, totally aside from such factors as those cited above and which are admittedly intangible, there is a very tangible factor in this 2-family idea which needs to be carefully weighed. That factor is the greater financial risk—considerably greater, in many cases, which it often involves.

Contributing to this risk, there is the rental problem. You cannot always find the type of tenant you are willing to rent to. Meanwhile, your rent-paying premises will lie idle. Or you may not always be fortunate in the selections you do make; your tenant may (they often do) prove irresponsible; and so, for a certain period, your premises will not only be unproductive but they will have been subject to costly wear and tear.

But chiefly to be considered in respect of the risk involved is this consideration: Under zoning restrictions, as they are enforced in many of the more desirable communities, the property-owner who erects a 2-family house is prohibited from entering the more fully-protected sections. In fact, restrictions against 2-family houses are often among the specific restrictions contained in the zoning laws we speak of.

Hence, the builder must often be satisfied with a less fully protected section; and thereby, obviously, sacrifices one of the semi-essential safety bulwarks which the average real estate buyer needs to have.

Take, as an example, the case of one community with which this Department is familiar. This community, under a zoning system, is divided up into four

WHERE TWO-FAMILY HOUSES CANNOT BE BUILT

Here is a typical "restricted district," similar to the one discussed in the article on this page, in which none but single dwellings may be erected

"grades." In each "grade," the restrictions vary. Thus,

Grade D is the factory section, where "anything goes."

Grade C is the retail store section, confined to shops representing "home industries" and including brick and frame dwellings with basement stores.

Grade B permits no retail stores. But it does permit: Boarding Houses, 1-Story Dwellings (Bungalows), and 2-Family Houses. And the minimum requirement on dwellings erected here is $4,500.

Grade A excludes bungalows, boarding houses *and 2-family houses.* Dwellings here must be at least 2-stories high. And the minimum requirement is $5,500.

Thus, as can be seen, the 2-family home in this community must go in the Grade B section. And, by building in this section, obviously, the owner assumes a much greater risk in respect of property deterioration than most owners find it wise to assume.

Conclusions

(1) The 2-family house costs about 20% more to erect.

(2) The rental value of the premises may substantially reduce, if not completely offset, total carrying charges.

(3) Proximity of owner and tenant makes an unusual combination of tact and firmness on the part of the owner essential to success.

(4) Financial risks involved in the project are likely to be greater than in the case of private dwellings, and

(5) 2-Family houses cannot usually be erected in a neighborhood as full restricted as might be desired.

In other words, to get the bigger income derivable from a 2-family house, you must accept the inconveniences and greater risks involved. If you are willing and able to accept them, nothing else in the average 2-family proposition needs differ from the 1-family affair, except, possibly, a tendency to deteriorate faster and a large repair item.

The Fourth Step—Mortgage Bonds

What to Find Out Before Buying Them —What They Are—What They Offer

(This is the sixteenth article in a series this Department has been publishing in consecutive issues and which is designed to convey practical assistance to Income Builders in their climb to Financial Independence.

In connection with this particular article, reference is suggested to two extended analyses of Mortgage Bonds written by Mr. William P. Kent, and published in two parts in the December 9th, 1922, and February 3rd issues of The Magazine of Wall Street.)

IN our "Staircase to Success," Mortgage Bonds are suggested as the fourth step. Some may contend that this investment class should be nearer the bottom of the staircase; others that it should be further *from* the bottom. Here, then, is a fairly complete summary of the reasons pro and con:

Favorable Aspects of Mortgage Bonds

(1) They offer a higher interest return than any of the investment mediums previously analyzed in this series.

(2) They are available in small denominations.

(3) When issued by reputable organizations, they are either guaranteed as to interest and principal, or else the security behind them—not only the excess value of the mortgaged property but the resources and tacit backing of the issuing organizations as well—is so great as to closely approach a guarantee.

Unfavorable Aspects of Mortgage Bonds

(1) They are not negotiable. As a class, they cannot be sold at the discretion of the holder, except through resale to the issuing corporation. Even this resale cannot always be counted upon, as most of the issuing corporations assume no obligation to re-purchase except in their own discretion; and even when they do consent to effect the resale, the holder is generally required to accept a fractionally lower price than he paid, the difference being charged, justly enough, to "service" or "handling."

(2) They are not reliable *as a class* in the way that Savings Banks, Government Securities and B & L certificates are reliable. The mortgage bond field has grown to enormous proportions in ten years time, and a host of small dealers have sprung up in it, all battening upon the reputation mortgage bonds have attained under the control and direction of strong, well-managed houses. These newcomers, it is believed, have introduced in the mortgage bond market practices not consonant with the best interests of the field.

So long as no independent body supervises and restricts mortgage bond issues, the investor is under the necessity of exercising the most careful discrimination in their purchase.

What Mortgage Bonds Are

Mortgage bonds are nothing complex or mysterious. On the contrary, they are simplicity itself: Suppose Gordon & Co., silk merchants, wish to erect a large office building, to cost $500,000, of which 65%, or $325,000 is to go on 1st mortgage. Under conditions existing prior to development of the mortgage bond plan, Gordon & Co. would have had to find one individual or one institution willing and able to provide the funds required under this mortgage. And, considering the size of the sum, it is obvious that some difficulty might have been experienced.

But, with the mortgage bond machinery the highly developed affair it is today, no such difficulty appears. The $300,000-mortgage is split up into 3000 parts, more or less, worth from $100 apiece, up; these "parts" (or bonds) are offered to individual investors. And since each part bears the mortgage interest rate of 6% (for example) and represents a proportionate equity in a 1st mortgage security, the whole issue can be easily sold to investors.

What Buyers Avoid

Beside the high interest return, the assumed A-1 security and the small size of the investment required, there are additional advantages accruing to investors in mortgage bonds which do not exist for the purchaser of an old-fashioned mortgage. These include:

(a) Assumption of responsibility for supervision of property mortgaged by the organization issuing the bonds.

(b) Assumption of responsibility for collection of due interest and principal by the issuing organization.

(c) Plan followed by most mortgage-houses requiring amortization of the total amount of the mortgage through periodic payments toward principal.

Through the operation of the last clause cited above, it is obvious that the bondholder's equity in the total mortgage, under the mortgage bond plan, is constantly increasing; and, if the amortization payments are trusteed or retained in a special fund and not diverted to other channels, the element of risk is constantly decreasing. This, of course, is not true of 1st mortgages bought outright where the investor's risk always remains the same up to the maturity of the mortgage.

What They Yield

Interest rates vary in different sections of the country with the result that interest payments on various types of *local* paper vary also. For this reason, it is not unusual to find mortgage bonds selling on a 6½% or even 7% basis, in some quarters.

As a more or less general rule, however, mortgage bonds now offer 6%.

How long this 6% rate will continue to prevail in the mortgage bond field is purely conjectural; just as the future course of money rates in general is conjectural. On the other hand, 6% has been the accepted interest rate on 1st mortgage borrowings, irrespective of outside money market conditions, for many years, and it seems reasonable to expect a continuance of this rate in the future.

Due to the numerous factors cited above

THE DIFFERENCE

THE difference between the spendthrift and the saver is the difference between animals and men: Intelligence.

which, in the belief of this Department, should be carefully considered before entering a commitment in mortgage bonds, and due also to the great number of not over-impressive organizations dealing in such bonds which have lately sprung into being, it might be most unwise for an investor to take up a mortgage bond offering without first consulting an unprejudiced authority. Your bank might be willing to direct you, in this respect; or your trust company; at any rate, the Inquiry Department of this Magazine will do so, without fear or favor.

If the intending investor will take careful precautions in his selection of an issuing house, leaning decidedly toward concerns which can be proven to have been in operation in this field for a number of years and avoiding the other concerns which have the appearance of maturity but cannot show the records; if he is willing to forfeit immediate negotiability in favor of the higher interest-return mortgage bonds offered (a very fair bargain, by the way): then it may be said that this type of security offers decidedly good possibilities for the Income Builder.

Over One Hundred Million Dollars

If the average amount of life insurance carried by our readers is over $10,000, then the Insurance Department caters directly to holders of life policies aggregating more than one hundred million dollars.

Every one of these policyholders is entitled to the advice and assistance of the Deparment wherever they are sought, featured by the individual solutions of Mrs. Florence Provost Clarendon of which a representative group appears on this page.

This, we believe, is not only about as near as we can come to Practical Co-operation, but also is nearer to that ideal than any other organization attempts to get.

Solving Individual Insurance Problems

Recommendations to Readers Designed to Meet Individual Needs

By FLORENCE PROVOST CLARENDON

FOR A YOUNG MAN

Whose Future Income Is Uncertain

I read with a great deal of interest the many insurance problems which you help to solve and I would appreciate your consideration for my problem, which may suggest a new angle.

I expect to graduate from a University with a Bachelor of Science Degree in Economics in June and will then be required to "shift for myself" and also pay my insurance premiums. I have not as yet decided what business I will pursue and therefore cannot determine my immediate future income.

In May, 1914, at the age of 14, my father gave me a $5,000 20-year Endowment policy (Equitable); in August, 1915, he gave me a $5,000 20-year Endowment policy (Mutual Benefit) and I also have $2,500 worth of Government twenty-year-payment, dated June, 1921. I fear that the premiums will be no slight burden, but do you think thoy are the right kind of policies for me? I hope to be able to maintain a personal budget and would like to know what percentage of my income you would advise I use for insurance. Do you think my next insurance policy should be an accident or health policy? I do not expect to be married before I am 26, but certainly want to make my financial foundation so secure that although my castle may not be as large as I picture it now, it will at least be safe and comfortable.

I will value highly any suggestion you have to offer and if you desire further information before venturing your opinion I would be glad to give you same.—F. C. B., Pittsburgh, Pa.

I am glad that you have been interested in the insurance articles and problems published in THE MAGAZINE OF WALL STREET, and hope my advice regarding your own insurance matters may be helpful to you. You expect to complete your university course in June, at the age of 23, and thereafter pursue a business career, but it is somewhat difficult to advise you at present regarding the amount you should devote to your insurance investment since your income is yet to be determined.

For all practical purposes, however, it is well to assume that 20% of a young man's income should be diverted towards building up his estate, if he looks forward to financial independence at about age 60. Thus 10% of the income should be placed toward the payment of insurance premiums, and an additional 10% put in savings banks or in conservative investment.

Your insurance is distributed in satisfactory institutions, and the 20-year Endowment form is, of course, an excellent thrift fund combining protection. $10,000 on this form means quite a considerable annual payment for a young man on moderate salary, but the maintenance of these policies will guarantee to you a fund of $10,000 when you are about 35 years of age—a time when it would be useful in your business or as a building fund for your home. Because you may marry, you may find it desirable to convert this Endowment insurance to protection on a plan entailing a smaller premium payment.

If you find, after making your business connections, that you are in a position to carry additional insurance in the near future, I would recommend that you apply for a 30-Payment Life policy, which, if taken at age 25, would be free from all further premium payments on your attaining age 55. If this insurance included the Accidental Death Benefit, and the Disability Benefit, with waiver of premiums and annuity income guaranteed in event of total and permanent disability, you would be still further protected in event of accidental death or disablement.

HEALTH INSURANCE

For Man Who Has Recovered from Illness

I am at the present time carrying a $1,000 20-payment life policy with the Prudential and a $1,000 ordinary life policy with the Massachusetts Mutual Company.

Last year I was sick for six months and spent four months in a sanatarium. The doctor said I had tuberculosis. At present time I am in good health and working every day. I am married and 27 years old.

Can I subscribe to any health insurance? Would you recommend Income Insurance instead of Health Insurance? Would it be possible for me to take out additional life insurance? If so, what type policy would you suggest—D. C. S., Los Angeles, California.

You are carrying life insurance with two excellent companies. I fear, however, that your recent sickness may prevent you from getting additional protection at this time. You may prefer to get a decisive answer from either of the companies in which you are insured at present, or from a local representative of any of the good "Old Line" life insurance companies represented in your district.

The fact that you may not be viewed favorably at present for additional life insurance protection should not interfere with your conducting a systematic thrift program. You can deposit in a savings bank the amount that you would have paid in insurance premiums—and as much more as you can—taking care to rigorously adhere to a definite and regular deposit—and when you have accumulated sufficient capital the amount can be invested in some conservative long-term bond, or similar good security. Perhaps, in the long run, you may find that you have accumulated even more than you would have done had you invested the money in life insurance premiums,—at any rate, I hope that you will and that your present good health may continue for a long time to come.

HAS $20,000 INSURANCE

Should He Carry More?

Although not a subscriber, I buy every issue of The Magazine and am an habitual reader. I have the following insurance, viz:

$10,000 Government, 30-Payment Life (1919); $3,000 Travelers, 20-Payment Life (1915); $3,000 Travelers, Whole Life, Disability Clause (1920); $3,000 Prudential, Whole Life (1915); $1,000 Mutual 20-Year Endowment, for child's education (1915).

Income $4,900. Age 30. Wife and two children. Am trying to take out $5,000 or $10,000 more insurance on Whole Life Plan. Due to my vocation, both the Mutual Life and Equitable wish to rate me up and will not grant disability and double indemnity although I pass the physical examination. The Aetna will take me at regular rates and give me the features I want. Is it a good company? In view of above data is the amount of insurance carried and proposed reasonable?—J. M. B., Pittsburgh, Pa.

You are to be congratulated upon the insurance protection you are now carrying, which is all well placed through conservative channels. You are wise to increase your investment along these lines, thus building up for the future a safe and conservative estate, unaffected by changing financial conditions or market fluctuations.

There are of course certain variations among the "Old Line" companies regarding the acceptance, or "rating up" for applicants following what are considered hazardous occupations. Your own voca-

tion, apparently, is one which has some slight form of extra risk involved in it. If you had given a clear indication of your occupation, we might have been able to help you more intelligently; but if the Aetna will give you the policy you desire (including both Disability and Accidental Death Benefits) I would advise you to place your additional insurance with that company. It has a good reputation, and a record of fair and equitable dealing with its policyholders.

SMALL INDUSTRIAL POLICIES

Should She Cash Them In?

My mother is the owner of Metropolitan Life Insurance Company policies Nos. 6331144, December, 1890; 9334234, January, 1894; .5939536, July, 1890; and I of policy No. 25641069, February, 1905. These are for very small amounts—the premiums being 40 cents a week. We are getting tired paying each week and also I would prefer if possible that my mother have the benefit of what she has paid in; I mean in cash now or in paid-up insurance, so she would not have to pay any more premiums. On my life there is other insurance that I carry, so think that would take care of that part of it.

Please let me know if I can convert my policy into an endowment (age 35 last month), into paid-up insurance, or cash surrender value.

Any information you may be in a position to give regarding the above will be greatly appreciated.

I never see the collector when he calls in the day time so cannot ask him regarding these details, also think it better to ask you in case you suggest closing out this insurance and taking out an endowment with some other company—(Miss) T. McD., New York City, N. Y.

The maintaining of small Industrial policies such as your mother and yourself now carry entails much trouble on the part of both policyholder and company, the paying and collecting of small weekly premiums being part of the contract. This necessarily involves expense which the policyholder has to pay indirectly.

Such policies are not intended to meet the insurance needs of the better educated and better paid class of wage earners, or of thrifty people who read THE MAGAZINE OF WALL STREET. An ordinary life insurance policy with premiums payable annually is more satisfactory from the viewpoint of both policyholder and company.

If your mother's health is poor, it would probably be better for you to continue her policies in force under the Industrial plan; but if she is in vigorous health, I would advise your applying for the paid-up value under her three policies and your own, and then direct your savings toward payment of premiums on a 25-year Endowment policy on your own life, with your mother named as beneficiary. Under this form you would receive the proceeds of the matured Endowment when you are 60 years of age—a period of life when the desire or ability to earn a living is usually weakened, and when an increase to one's resources is doubly appreciated. In event

(*Please turn to page* 859)

"How to Obtain a Larger Interest Return With No Greater Risk"

Or: More About Building and Loan Certificates as Investments

By RALPH RUSHMORE

AN article in the recent issue of this Department aroused considerable interest, if the number of letters it brought forth from Income Builders is any criterion.

The article was on the subject of Building & Loan shares as investments, appearing under the title, "How to Obtain a Larger Interest Return with No Greater Risk?" It showed that, by taking advantage of the B. & L. plan, a small investor could obtain from ½% to 1½% more interest than he could through a savings bank.

The article also dealt with the B. & L. Mortgage idea, a concrete illustration being cited to prove that this B. & L. plan is the "easiest, simplest and least expensive system ever devised."

Since publication, the BYFI Department has been showered with letters from readers asking for further information on the subject. Several telephone calls were also sent in for the same purpose, and two readers called in person.

Rising to the Occasion

Assuming that the inquiries received reflect more than passing interest in this subject, it would not seem amiss to rise to the occasion and have more to say about it. For instance, the Department's answers to the following questions asked by one reader may be found helpful to a number of other Income Builders:

Question: I have never invested money in B & L shares because I never knew whether they were really safe, but your article reads as though they were just as safe as money deposited in savings banks.

I would be glad to invest $10 per month in 10 shares of the B & L if you would first be kind enough to give me the following information:

You say you are familiar with one B & L Association in particular and know it is all right financially. Will you please give me the name and address of that particular association, so I can write them for particulars?

Answer: The name of the B. & L. Association particularly referred to in our article is The Franklin Society, with offices at 15 Park Row, New York City. Other organizations in greater New York in the B. & L. field include:

New York County: Bank Clerks Co-op. B & L Assn., 90 Wall Street; Harlem River B & L Assn., 407 East 47th St.; N. Y. Co-op. B & L Assn., 35 West 125th St.
Bronx County: Mount St. Vincent Co-op. B & L Assn., Bergen Bldg., Tremont and Arthur Aves., N. Y.
Kings County: Bedford Co-op. B & L Assn., 1646 Fulton St., Brooklyn; Nassau Co-op. B & L Assn., 2815 Atlantic Ave., Brooklyn.
Queens County: Central Permanent B & L Assn., 161 Hunter Ave., Long Island City; Long Island City B & L Assn., 122 Main Street, Long Island City.
Richmond County: Edgewater Co-op. Sav. and B & L Assn., 533 Bay St., Stapleton; Staten Island Bldg., Loan & Sav. Assn., 207 Taylor Street, West New Brighton.

Question: If this Association is located in New Jersey and in a year or so I wanted to have them finance a home for me in Westchester County, N. Y., would they do it. I was under the impression that B & L Associations only finance homes in their own immediate neighborhood.

Answer: The association referred to confines its loans on mortgages to properties within 25 miles of its offices in downtown New York. It would be legally warranted in extending the radius of its loans to within 50 miles of its location, but in order to increase the efficiency of its operations, it adheres to the maximum referred to. This question, in other words, can best be answered by inquiring directly of the B. & L. Association under consideration.

Question: Are B & L Associations under the supervision of the State Banking Department?

Answer: B. & L. Associations in New York are under the supervision of the Banking Department of the State of New York, and their accounts are regularly audited under the supervision of the Superintendent of Banking.

Question: Do you really consider them as safe as savings banks?

Answer: Inasmuch as the B. & L. Associations, as stated above, are under the same supervision as savings banks, and inasmuch as their field of operations is the highly conservative first-mortgage field, which is also, in large degree, the field of the savings banks and, finally, as their mortgage plan has certain special characteristics different from any other mortgage plan yet devised and more attractive to home builders, this Department considers them in every way as safe as savings banks.

Question: If I paid in $10 per month for 2 or 3 years and then wanted to withdraw my money at any time, would I be at liberty to do so?

Answer: Were you to enroll as a subscriber to Instalment Shares in the society mentioned (which is cited throughout these answers merely as an example) you could withdraw your subscription at any time you saw fit, except that if you withdrew it before the maturity of your subscription, you would receive interest at the rate of 4½% instead of 5%, which has heretofore been maintained. In other words, purchasers of Instalment Shares have been assured of 4½% interest plus

CREATIVE—OR NOT?

The dollars we invest in the securities of an essential industrial corporation serve a threefold purpose: They put idle factories to work. They put idle laborers to work. They put idle funds to work.

If that is not creative enterprise in the best interests of all concerned, what is?

the additional premium for maintaining their account to maturity.

Question: **If a person has a B & L Association finance a home for him, and pays in, say, $70 per month for 4 years, what means has he of finding out whether that particular Association is still keeping in good financial condition—of knowing that his money is in safe hands? If, after 4 years, he felt it was no longer safe, could he pay up the mortgage or have it transferred?**

Answer: Again using the society mentioned as an illustration, we would call your attention to the fact that it publishes semi-annual reports of condition and that, furthermore, its books are regularly under the supervision of the State Banking Department. Therefore, you would have a constant check on its reliability. If, after four years, you desired to transfer the mortgage obtained through the association, or after any other period of time, you would be at liberty to do so upon payment of the customary 60 days' interest required for closing a mortgage in advance of its maturity.

Question: **I have a friend who is putting money in the Atlantic Savings & Loan Association, Court & Sackett Streets, Brooklyn, N. Y. Do you consider them safe?**

Answer: Your friend is putting money into as reliable and helpful an organization as we know of.

Another Reader Questions Figures

From one of our other inquirers comes the following:

"May I call your attention to the article in the issue of February 3rd, 'How to Obtain Larger Interest, etc.,'" wherein you state that, in order to amortize $7,000 in 11½ years in a B & L Assn. paying 5% it was necessary to pay in $70 (per month). Thirty-five dollars a month at 5% compound interest will about equal $7,000 in 11½ years. In my B & L Assn., 1 share is worth $200 at maturity, that is approximately 11½ years.

"There has evidently been a mistake made, which is carried along in the figuring through the article.

"I merely wish to call this to your attention with the idea of preventing readers who may not know B & L from taking the wrong viewpoint.—H. A. B., East Orange, N. J.

To this communication, the following reply was sent:

"We are afraid that in reading our article on B. & L. certificates in the February 3rd issue, you confused the Mortgage Extinction Payments with the Supplementary Investment Payments.

"The Mortgage Extinction Payments require $10 per month per $1,000 borrowed, or $70 per month per $7,000 borrowed. In the 1st month, 50% of the Total Payments goes toward Interest and 50% toward Reduction of Principal. In the succeeding months, the percentage applied to Interest always decreases (due to the constant decrease in Principal) but, since your Total Monthly Payments are always the same ($10 per $1,000 borrowed) the part devoted to Principal always increases. Thus, in the 20th month, only 45% of your Total Payment goes toward interest, while 55% goes toward Principal.

"But, if there be no Supplementary Investment Payments to amplify your Mortgage Extinction Payments, *the total mortgage cannot be extinguished under the terms specified for* 11 *years,* 6 *months and a fraction, as stated in our article.* The fact that $35 a month at 5% compound interest equals $7,000 in 11½ years has no application to the case.

"What the investment of $35 a month at 5% compound interest *has* to do with is such a Supplementary Investment Program as we suggested in our article—a suggestion made as a means of cleaning up a Mortgage Obligation within a smaller period of time than could be managed by any other means. We showed that, by pursuing such a Supplementary Plan ($35 a month, at 5% compounded) the Investor could accumulate $3,500 in 6 years and a fraction. (This is comparable with your own figures, which show that, in 11½ years, savings at the same rate would total $7,500, or just about twice as much.) Then, as our article said:

"Totaling things up, our B & L man will have paid on his mortgage in 6-7 years $3,185.35; on his savings account $2,940; or a total of $6,125.35. From this deduct the cash excess received at the end ($119.48) and we find that his total payments amount to $6,005."*

"In other words, by following this Supplementary Plan, we showed how a $7,000 mortgage could be cleaned up in less than 7 years by total payments, on Mortgage Reduction, Interest *and* Savings, of no more than $6,005.85.

"It may also be helpful to you if we note that, whereas some B. & L. Associations offer Savings Certificates worth $200 at maturity, on which you must pay instalments for 11½ years, other associations offer such securities worth $100 at maturity, to mature which, obviously, it is only necessary to pay your instalments for about half as long, or from 6-7 years. The association used as our illusttration is one of the latter group.

* In publishing the original article, two typographical errors occurred in this paragraph, which have been corrected in its reproduction here.

Points for Income Builders

Plain Definitions of "Over-the-Counter" and Other Financial Terms

ALTHOUGH the "over-the-counter" market has been described a number of times in past issues of this Department, letters from new readers indicate that another recital of the facts might be found helpful.

In a word: The "over-the- counter" market is the market in which all securities not precluded from outside dealings by reason of their being listed on some recognized exchange are dealt in.

Income Builders will do well to realize that in this over-the-counter field there are included the securities of many of the finest manufacturing enterprises we have. Thus, such conspicuously successful corporations as the makers of Singer sewing machines, Borden's Condensed Milk, Yale locks, etc., are represented in this market.

Also, it should be noted that many banking houses of very old standing and great power confine themselves to dealings in over-the-counter securties.

Transactions are not, of course, recorded on any ticker service in this over-the-counter field. Dealings are conducted almost entirely over the telephone. Nor are brokerage commissions on transactions provided for in the same way as in "listed," or New York Stock Exchange, dealings. Instead, they are put on a "net" basis, generally, varying with the difficulties the broker encounters in effecting a purchase or sale and other similar special factors.

A special department in this Magazine is set aside for analysis and review of the "over-the-counter" market, and those interested in following the subject further are advised to refer to this feature. As a final point, it may be suggested that, without membership in the New York Stock Exchange as a guide to go by, intending purchasers of over-the-counter securities through non-member houses would do well to investigate the standing. and reputability of such house carefully before proceeding. In this connection, the Inquiry Department will be found willing to co-operate.

The "Curb Market"

Before the war, the "Curb" market was exactly what its name implied—a market place on the street. The securities dealt in on this market included a heterogeneous collection, running from Class A-1, in the shape of former Standard Oil subsidiary stocks, to Class D-Minus, in the shape of penny oil and mining securties. To a great extent, the Curb was a sort of "try-out" ground, where issues that were not ready for listing on the Big Board were dealt in—often on a when-as-and-if-issued basis —pending their being listed.

After war began, as Income Builders will remember, a host of new corporations were formed; and, as new and unseasoned securities, the market place for their shares naturally became the Curb. Dealings in the Curb market thereupon swelled to comparatively immense proportions, and not a few Curb brokers waxed fat and wealthy.

With the ending of the war, the Curb had grown to very respectable proportions, not merely as a try-out ground, but as an established market. In order to maintain this prestige, confine Curb dealings to actual Curb members, and correct other disadvantages encountered under the open-air regime, it was decided to go indoors. Today, as a result, the Curb Market is one of our largest security exchanges, and is housed in one of the finest buildings in lower New York.

Public Utilities

Some Attractive Preferred Stocks

A Group of Public Utility Preferred Issues That Give Unusually Good Yields—Are Utility Common Stocks Too High?

By JAMES N. PAUL

WITHOUT attempting to predict when the upward movement in the current bull market will culminate, a word of caution in relation to stocks of public utility companies seems timely. The situation confronting this class of company has been outlined so many times during the past year and a half that it seems idle to repeat.

Recent spectacular advance in price by some of the better known issues serves to bring to mind the question of enthusiasm marketwise is not being overdone and if many of our public utilities' securities are not selling too high both as to prospects and to yields on the investment.

The current upward movement in the stock market has been under way for nearly two years with certain minor interruptions in between. It behooves the prospective purchasers of stocks to be careful and this applies particularly in the case of public utility companies whose stocks have been moving upward rapidly. If one must buy public utility stocks, buy preferred stocks, those issues which combine a fair yield together with stabilized earning power over a period of years in the past. In the present market there are many instances of where the preferred issues of utility companies show better yields than the common stocks. The answer to this, of course, is speculation as to future prospects, dividend increases, etc.

In the case of one company, the preferred stock shows a yield of better than 6%, the common stock on a yield basis shows less than 5%. In the case of another company having only one class of stock, selling well above par, the stock shows a yield less than 6%, yet two years ago it was a question if dividend could be mantained. Talk of increasing the present dividend has been in the air for many months, yet favorable action never seemed to materialize and just now stockholders have been advised of a possible split-up of the shares.

Preferred Stocks Desirable

As stated previously, the purchase of preferred stocks of public utility companies is advisable at this stage of the bull market rather than purchase of the common and speculative issues.

Regardless of whether the present market will continue to go higher, one thing is certain and that is that from a long-range viewpoint many yields on public utility preferred stocks, say in three or five years hence, will seem extremely liberal. To the investor who is looking for the employment of funds and who is looking for a better yield than that afforded by bonds, a discriminating survey of the field of publc utility preferred stocks can be recommended.

Annual reports for 1922 operations are just beginning to make their appearance. As already indicated by these reports, many excellent showings will be made by the majority of the companies. But the way to judge the worth and stability of dividend of a stock is to go back over a period of years. In the period 1917-1921, four years, the average public utility company went through a siege of adverse conditions which may not be witnessed again. Therefore, if any company during this time was able to maintain preferred dividends and show a favorable margin to spare, it is safe to assume that it can do so in the future barring any special circumstances to the contrary.

It is possible to procure a yield of 7% and better on many of the good public utility stocks. A list of suggestions of preferred stocks is shown in the accompanying table.

The table shows yields on preferred stocks running from 5.88% in the case of Middle West Utilities preferred, an old line company, to better than 8% in the case of Market Street Railway Co. The latter, of course, can hardly be classed as a seasoned investment, but

PUBLIC UTILITY PREFERRED STOCKS

Company	Pfd. Stock Outstanding	Earnings on Pfd.	Dividend Requirements	Times Earned	Rate	Price	Yield (%)	Market
*Amer. Gas & Electric	$7,808,400	$2,710,763	$462,028	5.8	6%	46	6.50	Unlisted
†Amer. Light & Traction	14,236,200	4,052,500	854,172	4.7	6%	95	6.31	Det. Stk. Exch.
Amer. Power & Light	3,719,200	1,003,078	223,152	4.5	6%	87	6.88	Unlisted
Amer. Water Wks. & El. 1st pfd	5,450,000	724,492	381,000	1.9	7%	92	7.60	N. Y. Stk. Exch.
Carolina Power & Light	2,123,400	638,978	140,657	4.1	7%	100	7.00	Unlisted
Market Street Ry. pr. pfd	11,603,000	‡1,258,487	696,180	1.8	6%	70	8.55	N. Y. Stk. Exch.
Middle West Utilities	8,375,000	1,616,326	384,745	4.2	5%	85	5.88	Unlisted
Mississippi River Power	8,217,272	781,986	459,776	1.7	6%	83	7.23	Unlisted
Montana Power Co	9,784,600	§170,850	507,769	4.1	7%	112	6.30	N. Y. Stk. Exch.
Nebraska Power Co	3,500,000	562,287	210,000	2.7	7%	98	7.13	Unlisted
Northern States Power	24,778,000	2,911,860	1,601,164	1.8	7%	94	7.45	Unlisted
*North American Co	18,920,550	¶10,861,902	1,137,678	9.15	6%	48	6.25	N. Y. Stk. Exch.
Pacific Gas & Electric	50,641,010	¶6,306,846	3,338,460	1.9	6%	89	6.74	S. F. Stk. Exch.
Pacific Power & Light	4,068,200	687,857	250,425	2.6	7%	93 bid	7.50	Unlisted
*Philadelphia Co. 6% pfd	14,546,800	2,612,215	945,590	2.7	6%	45	6.66	N. Y. Stk. Exch.
*Philadelphia Co. 5% pfd	1,442,450			2.7	5%	35	7.10	Phila. Stk. Exch.
Public Service of N. J. 8% pfd	11,809,200	3,594,328	835,739	4.3	8%	106	7.50	N. Y. Stk. Exch.
Public Service of No. Illinois	9,450,900	1,579,536	518,817	3.0	6%	96	6.25	Unlisted
Yadkin River Power	1,015,000	270,326	69,317	3.8	7%	100	7.00	Unlisted

* $50 par value. † Earnings given are for 12 months ended Dec. 31, 1922. ‡ Earnings, 11 months, ended November 30, 1922. § Earnings, 10 months, ended October 31, 1922. ¶ Earnings, 12 months, ended November 30, 1922. In the case of North American Co. earnings available for dividends are before depreciation.

Unless otherwise stated, all earnings, figures and statistics given are taken from annual reports for year ended December 31, 1921, no later ones being available.

Practically all issues given as unlisted enjoy a ready market in New York "over the counter."

should be particularly desirable to the investor who is not averse to an element of speculation. The dividend seems reasonably sure, and it is indicated that earnings can continue at about $12 a share or twice dividend requirements.

For an issue which gives a medium yield, the 6% preferred stock of Philadelphia Co. can be recommended as being a good investment. The company has never failed to pay dividends on the common stock for more than twenty years. Table shows preferred dividend requirements earned more than twice, which is fair, but the 1921 year was one of the poorest in the company's history, due to lack of demand for natural gas occasioned by the stagnant condition of the steel trade.

Market Street Railway Co.

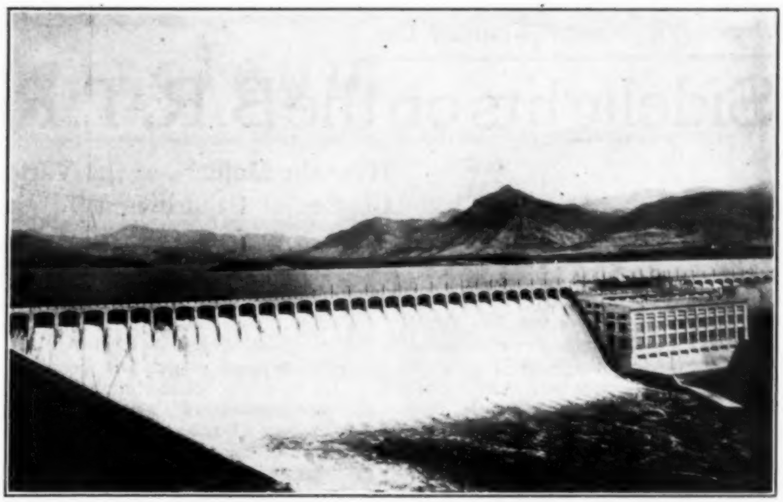
Examination of the list of offerings of public utility preferred stocks shows few issues which are as attractive as the 6% prior preferred stock of Market Street Railway Co. of San Francisco. Taking it from every angle, including the relatively high yield, current earnings together with prospects appear to make this issue desirable from a speculative investment viewpoint. The prior preferred stock is listed on the New York Stock Exchange, and paying $6 annually at the current price of 70 shows a yield of 8½%.

The only reason for the comparatively low price of the stock, par value $100, seems to be that it is a traction company which has only recently been reorganized. The property is the old United Railroads of San Francisco. A drastic reorganization was effected in 1919 whereby the capitalization of the old company was cut in half. To compensate holders for lost interest during the time when the reorganization was in progress stock was declared cumulative two years back so that the present issue holds accumulated dividends of 12%.

It is indicated on the basis of monthly earnings statements that in 1922, Market Street Railway Co. was able to earn almost twice dividend requirements on the prior preferred stock. This compares favorably with earnings of some of the best public utility companies. The company is operating on a five cent fare which obviously precludes any thought of a rate reduction. All told the situation appears to be favorable toward the company with the added possibility that purchase of the property which has been under discussion for several years may materialize in the next year or two. This event would probably mean par and accrued dividends for the prior preferred stock.

North American Pfd Stock

Shares of the North American Co. have been considerably in the public eye of late though the preferred stock's merits seem to have been submerged by spectacular advance of the common stock. At the present writing the common stock (par value $50) is paying $5 annually in dividends though there is talk of an increase in the rate which seems likely to materialize. The 6% ($50 par) preferred stock selling around 48 shows a yield of 6.3% and current and past earnings entitled the stock as a preferred issue to a first-class rating. North American Co. is a holding company deriving its earnings from interest and dividends received from holdings of securities in other companies.



The Holter plant of the Montana Power Co. located about 30 miles north of Helena. Capacity 40,000 kilowatts

Montana Power Co. preferred stock is another anomaly where the preferred stock is showing a higher yield than the common stock. In this case the common stock sells at $70 and pays $3 annually in dividends showing a yield of less than 4½%. The preferred issue selling at 112 pays $7 annually in dividends and at this price shows a yield of 6.3%. This issue can also be classed as a high grade investment preferred stock.

The 1921 annual report was the poorest since 1914 and showed that preferred dividend requirements were earned a little more than twice. An average over the last eight years since its organization would show that preferred dividend requirements were earned almost four times. This is a good average as public utility stocks go, especially in the case of a hydro-electric power company where earning power is stabilized to a very great degree.

The year 1922 showed marked improvement in earning power over that of the previous year. A statement for nine months ended September 30, 1922, showed that preferred dividends were being earned more than four times.

An issue which shows a very good yield is found in Public Service Corporation of New Jersey 8% preferred stock. At the current market price of around 106 a yield of about 7½% is given. Stock up to a short while ago was callable at 110, but the call privilege has been relinquished by the company. The company is now selling an issue of 7% preferred stock on the partial payment plan, chiefly to its own consumers. At the selling price of $100 a share, a yield of 7% is shown on this issue. The 8% preferred stock listed on the New York Stock Exchange is the better issue of the two and if purchase can be made at present levels, the yield is unusually good. Preferred dividend requirements were earned more than four times in the last two years.

American Light & Traction Co.

American Light & Traction Co. is one of the public utility companies which is making rapid strides in gaining its pre-war earning power. The preferred issue is traded in principally in the "over the counter" market in New York. At 95 the stock shows a yield of 6.3% and constitutes a first class investment proposition but the yield is rather small at this price. Company's sole debt is $3,000,000 notes maturing in two years.

The 1922 annual statement shows that balance available for dividends on the preferred issue amounted to $2,037,000, compared with $1,541,000 the previous year. Thus, dividend requirements on the preferred issue were earned about five times last year, a ratio which is well above the average. Going back over a period of ten years, it is shown that preferred dividends were earned at least three times each year.

Among the issues of preferred stocks not so well known to the investor generally are Yadkin River Power preferred and Carolina Power & Light Co. preferred stock. Both are 7% issues and at the current offering price of 100 would show a yield of 7%. Both stocks are fair investment propositions and can be recommended. Carolina Power & Light, in addition to operating properties within the state, controls the Yadkin River Power Co. and the Asheville Power & Light Co. The management of the companies is excellent. The stocks have a good market in New York over the counter and quotations show a

(Please turn to page 845)

Brooklyn Rapid Transit Co.

Sidelights on the B. R. T. Reorganization

How the Holders of the Various Classes of Securities Will Fare

By R. M. MASTERSON

AT a hearing before Federal Judge Julius M. Mayer on February 9th, 1923, the announcement was officially made by the Court that the major interests involved in the B. R. T. situation had come to a definite understanding and formulated a specific plan for the reorganization of the company. This plan is, of course, in tentative form and must yet be submitted to the various security holders for ratification, but as practically all the committees representing the various bonds and stock have agreed to its general terms, there seems to be little doubt of its ratification in substantially the form as originally drawn up.

This proposed Plan of Reorganization is intended to accomplish:

1. The early termination of the receivership.
2. The funding into long-term 6% bonds of over 60 millions of short-term obligations, most of which now carry 7% interest.
3. The payment in part, and the adjustment of the balance, of the accumulated arrears of interest amounting to over 27 millions, on the bonded debt of the system so as to permit the resumption of the payment of current interest.
4. The payment in cash of the principal amount of the tort claims for personal injuries, as allowed, estimated at approximately 2.2 millions.
5. The adjustment of the claims of the general contract creditors, as allowed, estimated at approximately 1.5 millions.
6. The payment of receiver's Certificates and other claims against the properties aggregating over 12 millions.
7. The provision of 26 millions of new money by stockholders or underwriters for the purpose of the reorganization. This includes in addition to the above cash requirements the immediate provision of a fund of 5 millions for the requirements of the rapid-transit lines, among which is the equipment of the lines still to be completed by the City under the existing contract, and the provision of working capital.

Past History

It is hardly necessary to comment at any length as to the conditions leading up to the B. R. T. receivership, which occurred on the last day of the year 1918.

(*Please turn to page* 856)

B. R. T. REORGANIZATION—TABLE OF PROPOSED READJUSTMENTS

Securities & claims to be readjusted:	Amount held by public	Unpaid interest to July 1, 1923	Schedule to Receive— New 6% bonds (par value)	New 6% pref. stock (par value)	New com. stock (shares)	Cash to be received	Cash to be paid in
Bklyn. R. T. Co. 50-year 5s, 1945	$6,963,000	$1,653,712.50	$6,266,700	$870,375	11,315	$348,150	......
Per $1,000 bonds	....	237.50	900	125	1.625	50	......
Ref. Mtg. 4s, 2002	3,433,000	617,940	2,471,760	343,300	10,986	137,320	......
Per $1,000 bonds	....	180	720	100	3.2	40	......
3-year 7s, 1921	57,243,700	20,035,295	62,968,070	10,303,866	......	4,007,059	......
Per $1,000 bonds	....	350	1,100	180	......	70	......
6-year 5s, 1918	475,000	118,750	522,500	47,500	......	23,750	......
Per $1,000 bonds	....	250	1,100	100	......	50	......
N. Y. Municipal Ry. Corp. 1st 5s, 1966	2,055,000	513,750	2,260,500	205,500	......	102,750	......
Per $1,000 bonds	....	250	1,100	100	......	50	......
Bklyn. Heights Railroad Co. 1st 5s, 1941	250,000	53,125	....	250,000	......	......	......
Per $1,000 bonds	....	212.50	....	1,000	......	......	......
Bklyn. R. T. Co. bank loans (secured)	3,300,000	937,166	1,991,468 (47%)	254,230 (6%)	......	1,991,468 (47%)	......
Tort claims for personal injuries (est.)	2,220,000	....	....	....	......	2,200,000	......
Claims of gen'l contract creditors (est.)	1,500,000	400,000	....	1,150,000	......	750,000	......
Receivers ctfs. & car lease warrants	12,485,000	....	....	....	......	12,485,000	......
B. R. T. stock, on payment of $35 per sh.	74,422,959	....	16,280,009	9,768,006	744,229	......	$26,048,015
Per 100 shares	....	....	2,187.50	1,312.50	100	......	3,500
Totals	$164,327,659	$24,329,738.50	$92,761,007	$23,192,777	766,530 shs	$22,045,497	$26,048,015
*Underlying bonds to be reinstated (and interest adjusted as indicated):							
Bklyn., Bath & W.E.R.R. Co. gen. 5s, '33	$118,928	$23,796	....	....	......	$23,796	......
Per $1,000 bonds	....	200	....	....	......	200	......
Atlantic Ave. R. R. Co. impvt. 5s, 1934	215,000	43,000	....	....	......	43,000	......
Per $1,000 bonds	....	200	....	....	......	200	......
Nassau Elec. R. R. Co. 1st 5s, 1944	660,000	132,000	....	....	......	132,000	......
Per $1,000 bonds	....	200	....	....	......	200	......
Consolidated 4s, 1951	10,337,000	1,860,660	....	$1,447,180	......	413,480	......
Per $1,000 bonds	....	180	....	140	......	40	......
C. I. & Bklyn. R. R. Co. Con. 4s, 1955	1,500,000	270,000	....	....	......	270,000	......
Per $1,000 bonds	....	180	....	....	......	180	......
†Bkn.-Qns. Co. & Sub. R.R. Co. 1st 5s, '41	1,497,000	336,825	....	....	......	336,825	......
Per $1,000 bonds	....	225	....	....	......	225	......
Consolidated 5s, 1941	2,303,000	560,600	....	420,450	......	140,150	......
Per $1,000 bonds	....	200	....	150	......	50	......
Totals	$17,130,928	$3,226,881		$1,867,630		$1,359,251	
Underlying bonds absolutely undisturbed (paying regular interest):							
Kings County Elev. R. R. 1st 4s, 1949	$6,980,000	....	....	....	......	......	......
Bklyn. Union Elev. R. R. 1st 5s, 1950	15,956,000	....	....	....	......	......	......
Atlantic Ave. R. R. Gen. Cons. 5s, 1931	2,241,000	....	....	....	......	......	......
Coney Is. & Bklyn. R. R. 1st Cons. 4s, '48	1,986,000	....	....	....	......	......	......
Bklyn. City & Newtown R. R. 1st 5s, 1939	1,988,000	....	....	....	......	......	......
Jamaica & Bklyn. Road Co. 1st 5s, 1950	231,000	....	....	....	......	......	......
Totals	$29,382,000						

* Unpaid interest on underlying bonds is computed to July 1, 1923, if an interest date; otherwise to the nearest interest date preceding said date.

† The right is expressly reserved to exclude from treatment under the plan or to postpone the readjustment of any bonds or other securities of or claims against Brooklyn Queens Co. & Suburban R. R. Co. in case of existing controversies affecting the stock or bonds of said is not reached with the Brooklyn City R. R. Co.

Petroleum

Pan-American Petroleum

In Quest of New Production

Company Goes in for Domestic Production—Is Mexico Through As an Oil Producer? — Investment Position of the Shares

By J. G. SWARTZ

TRADERS will not soon forget Mexican Petroleum, often referred to as the "stormy petrel of the Stock Exchange." Neither will the oil industry quickly cease to remember this and associated companies which, regardless of disadvantages, forged through and won preeminent position in the "Magic Arc," or Southern district of Mexico.

This company has been built about the remarkable personality of Edward Lawrence Doheny who, in 1900, made his first trip into the country destined then to bring forth the most sensational wells on either American continent. On this first trip, he began the acquisition of lands, following generally the evidence of oil seepages. In 1901, he brought in his first well and was thus definitely embarked upon what has been one of the most colorful careers to fall to the lot of any oil man.

From this beginning, with slender credit resources and with his avowals of his belief in Mexico as a great source of oil received with incredulous half-tolerance—in some quarters with open distrust—Doheny pushed ahead until years later he began to see his faith in the enterprise demonstrated in the form of financial reward. What the future holds for his enterprises now that the present fields of Mexico are waning, is not revealed. Pan-American is synonymous with oil fuel, however, and this organization will undoubtedly be a prominent factor in this field of the industry regardless of whether it turns to South America or to a domestic field for its supply.

While Doheny's critics have been many—as pioneer in Mexico he was frequently in conflict with other companies which entered the field later—his course has been marked by a certain graceful acceptance of customs of the country and conditions as he found them and a conduct sufficiently flexible to satisfy to considerable degree the Mexican viewpoint. He has seen one political upheaval after another sweep over his concessions, but conflicts were comparatively few and this trimming of the sails to whatever breeze was blowing left him always enjoying comparatively peaceful development of his properties regardless of which faction or party entered power.

There is also no doubt that the petroleum development has brought about a higher degree of civilization. By example, the oil companies have shown in the provisions for comfort and education they made that the Mexican can enjoy to whatever extent his industry and thrift will enable, these same conditions.

Mex-Pete Disappears

Pan-American Petroleum which now owns Mex-Pete, was organized principally as a holding company, operating some steam ships and some production in California. Originally capitalized at 250,000 shares of 7% cumulative preferred, par $100, and with 250,000 shares of common, par $50.00, it has since expanded until the preferred stock has been entirely retired and 1,101,500 shares of common and 1,058,500 shares of class B common are outstanding at a par value one hundred and three millions. During this period, practically the entire issue of Mex-Pete has been acquired by exchange or purchase until only 6% of this stock is in the hands of the public and the officials have announced that a consolidated statement will hereafter be issued and soon Mex-Pete will be a memory to the trading public.

There have been so many rumors and so much discussion as to the salt water in Mexico that many are wondering as to the actual conditions in that country. It is a fact that, at the present time, there are no wells giving forth the daily volume of oil that was flowing some two years ago. But it is also true that much production is being brought to the surface in that country and, as many of the wells, now small producers, when compared to their former size, are still earning handsome returns on the investments. It has been found that by "pinching back" or partially restricting the opening of the well, that the salt water was not produced. Thus wells, which formerly made from 40,000 barrels to 60,000 barrels daily are now producing only 5000 barrels to 8000 barrels but, as these wells probably paid for themselves with their enormous flush production, the entire investment has been repaid and the present production is practically "velvet."

The daily production of the Huasteca, the operating company in Mexico is now about 85,000 barrels per day, of which about 45,000 barrels is taken from the Toteco-Cerro Azul field and about 35,000 barrels per day from the Chapapote-Nunez-Terra Blanca field and about 5000 barrels per day from the Elbano field. This is all light oil and commands the highest prices for Mexican crude. In view of the success following the "stripping" operations, and because some of the wells are so close to wells that do make salt water that it is considered the best policy to pinch in the production rather than to let it flow to its greatest capacity, it is quite possible that producion somewhere near to the present rate can be maintained for some time.

It is also true, however, that new fields entirely removed from the present pro-

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PAN AMERICAN PETROLEUM & TRANSPORT COMPANY

120 Broadway
New York

Office of the President | In reply refer to File No

November 24, 1920

Mr. R. D. Wyckoff, Editor,
The Magazine of Wall Street,
42 Broadway, New York City.

Dear Sir:

I have just received your letter of November 8, after an absence from the City of several days.

The reason for the Pan American "A" stock and Pan American "B" stock selling so far apart is as much a mystery to me as it is to you. Have talked with several banking houses who do business on the Stock Exchange, and they likewise are unable to account for it.

There is no difference whatever in the character of the two stocks, so far as earnings, right of participation in any rights or distribution are concerned, or in case of dissolution of the Company. The only difference there is is that "A" is voting stock and "B" is not, which in my opinion, should not affect their comparative values more than a fraction of a point.

Yours very truly,

ELD:LL

E L Doheny

If I Held—

Prairie Oil—Marland Oil—Invincible Oil

—I Would—

By JAMES W. MAXWELL

"FIGURING out" the oils is a good deal like prospecting for gold. There aren't any red flags set up over the spot where the values are hidden. Analysis of the top soil is about as helpful as taking notes on the condition of the trees. Even by confining your tunneling to a district where gold has been found before guarantees you little or nothing. About all you can do is—dig!

The oils aren't like manufacturing company stocks, or railroad stocks. Most of the latter have drawn farther and farther away from incomplete or unstandardized accounts; their plant facilities, holdings and margin of profit are, more or less, known quantities. But with the oils it's a case, largely, either of inadequate reports, or misleading reports, or reports based on holdings that may be valued a good deal as you please; and so, unless you're in the fields most the time (or "in the know," which is even more desirable) it's very easy to go astray in your conclusions.

In the case of the three stocks to be analysed here—Prairie Oil, Marland and Invincible—the writer endeavors to present unprejudiced conclusions based on such information as is available for whatever that may be worth to readers of The Magazine.

INVINCIBLE OIL

A previous analysis of Invincible Oil's position (Nov. 11, 1922) brought out the corporation's progress since the 1921 setback and pictured it as growing rapidly in resources and earning power. Developments since have tended to confirm the conclusions drawn. While Invincible stock cannot be recommended except as a speculative security, the company's forward strides in 1922 indicate that the issue may have possibilities of an unusual order.

Invincible's production has been settled for some months, averaging now between 7,500 and 8,000 barrels daily. The bulk of the oil comes from the Hainesville and Homer fields.

The company's net earnings for the first three quarters of last year were conspicuously good. Where the final result for the same period in 1921 was a profit of only about $55,000, the result last year to September 30th was a balance of over $2,000,000.

In the last three months of 1922, Invincible's crude supplies were marketed on an average of about $1.25 a barrel, or little better than cost. However, the company is not dependent on its producing business alone, having several well-equipped refineries, an extensive pipe line system, large storage facilities, a lubricating plant and filling and distributing stations. Despite the low prices for crude ruling throughout the last three months of 1922, it is understood to have made a fair-sized profit for the period.

Invincible Oil took advantage of the better results obtained last year to effect some notable improvements in its capital liabilities. Where bonds and notes totaled over $6,000,000 at the close of 1920, the funded debt was reduced to less than $2,000,000 by December last, and today, the total funded debt of the corporation amounts to only $960,000, confined to the 6% Esperson collateral trust notes which were originally issued in a sum nearly six times as large.

In erasing this greater part of its funded debt, Invincible increased its outstanding common shares to 1 million through sale of a large block of treasury stock. The sale of this block gave rise to reports that Standard Oil interests had bought into the company. Such a development would be exactly in line with the experience of numerous other independent oil companies, which travelled alone in the beginning, ran up against difficulties, were led to special financing and emerged therefrom with the Standard Oil mark on them. But the president of Invincible Oil has denied this report, categorically. Nevertheless, who the interests were that took over that block of nearly 300,000 shares of treasury stock late last year and thus enabled Invincible to attain the strong financial position it occupies today has yet to be divulged. Obviously, it would have been a monied interest.

In recent weeks, a considerable change for the better has developed in the price of crude. Thus, where Invincible averaged about $1.25 a barrel in the final quarter of 1922, it is now averaging between $1.90 and $2.00 a barrel. With its fixed charges heavily reduced, increased earnings available for use can begin to pile up back of the common shares whose equity has, of course, been increased in proportion to the reductions in funded debt.

As a holder of 100 shares of Invincible, the writer would "stay put." It pays no dividends, and is entirely speculative; but it only costs $17 a share, and the company behind appears to be in good shape. A previous prejudice against this company, due to its failure to charge off depreciation and depletion in the 1920 and 1921 reckonings disappears with the understanding that over $10,000,000 will have been deducted on this account in arriving at the final showing for 1922.

Invincible has scored a remarkable comeback which should inevitably be reflected in the future.

PRAIRIE OIL & GAS

The records might encourage a sort of blind optimism toward the former subsidiaries of Standard Oil. They were immensely profitable to holders before dissolution, and they have been immensely profitable to holders since dissolution.

Prairie Oil & Gas, for example, paid cash dividends on its own stock from 1911 to and including 1922 of no less than $195 a share. Beside these payments, it gave every holder of its stock in 1914-15, 150% of his holdings in Prairie Pipe Line stock, whose cash disbursements since have been pleasingly substantial.

And, where you could have bought 10 shares of Prairie at $210 a share, or a total cost of $2100 in 1912, the present equivalent value of that holding, taking into consideration the Pipe Line distribution and the recent 200% stock dividend, would be over $10,000, at prevailing market prices!

When a security, or a group of securities, has a record like this behind it, it requires courage to suggest even casual discrimination in respect to them. The temptation is to put them on a plane with Caesar's wife, and issue a blanket endorsement of them all as "above suspicion."

A Very Low Yield

And yet, it is a fact that Prairie Oil & Gas today, on the $8 dividend basis just recently established, offers a yield of only fractionally more than 3% at the current

price of 265; and further a fact that, if it takes 3 shares of Prairie today to equal the value of 1 share before the 200% stock dividend, then the present selling price is the equivalent of $795 per share on the old stock, or higher than it ever sold before, except in the gala year 1919, and only 20 points below the high-record level scored then.

If we divide the recorded highs and lows on Prairie for the period from 1916-1922, inclusive, by 3, in order to reduce them to a basis comparable with the price of the present capital stock, this is how previous ranges would compare with the present price (fractions omitted):

Year	High	Low
1916	220	119
1917	233	126
1918	220	136
1919	271	196
1920	244	133
1921	199	128
1922	251	172
Present Price	265	

When you look at Prairie Oil from this angle, realizing that, to buy it today one would have to pay practically as much as the highest bidder was willing to pay in 1919—that year of abandon, stockmarket-wise—and that he would net only about 3% on his investment, at the current dividend rate, the possibilities contained in the stock may appear somewhat less alluring.

Are Extras Likely?

Of course, to such an argument as the foregoing the objection will inevitably be raised that one does not buy Standard Oil stocks on the basis of what they yield on their established dividend rates, but, instead, on the basis of what they *may* yield, through extra dividend disbursements. And, on the face of things, that objection might seem perfectly valid in the case of Prairie Oil.

And yet, when you go back to the figures again, the same element of doubt enters in—not to refute the optimistic view, but to bring it into question. For example:

In 1916-1922, inclusive, Prairie had outstanding 180,000 shares of stock. Today it has outstanding three times as much, or 540,000 shares. The present dividend rate is $8 per share. And here is how the amounts disbursed in the form of dividends, *including extras*, in the period from 1916-1922 compare with the amount that will be disbursed in the form of *regular dividends alone* from now on, or so long as the present $8 rate is maintained:

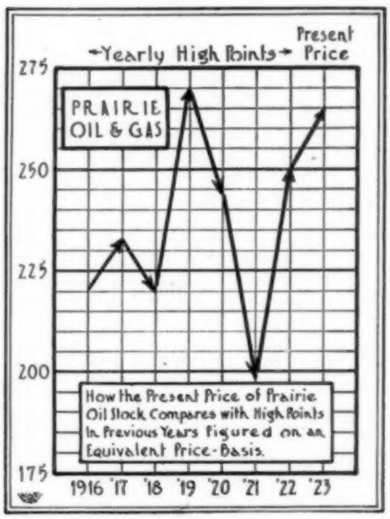
Year	Dividends Paid in Dollars per Share Including Extras	Total Amount Disbursed in Dividends
1916	$18	$3,240,000
1917	20	3,600,000
1918	20	3,600,000
1919	26	4,680,000
1920	32	5,760,000
1921	22	3,960,000
1922	23	4,140,000
Amount Required for Dividends on Present Capital Stock at Present Rate		4,320,000

In words, Prairie's established annual rate of today calls for *regular* dividend disbursements of a greater total value than was disbursed in the form of regular dividends *plus extras* in any of the years noted except the two amazingly profitable years of 1919 and 1920. Which fact, it would seem, greatly reduces the likelihood of much money being paid out in extras on the present capitalization.

Those who wish to contend that Prairie has just as profitable a year ahead of it as it enjoyed in 1919 or 1920, and that, therefore, its total disbursements might well be amplified this year up to a point equivalent to the record total disbursed in 1920 may do so without destroying the point of this argument. For, even if Prairie should pay out $5,760,000 (the 1920 total) in cash on its stock this year, the return to the stockholder would only be about $10.50 per share, or less than 4% on the present selling price of $265.

Stock Dividends Don't Help

Nor can the fact that Prairie just declared a large stock-bonus, or the possibility of its repeating this action, admittedly remote, be called in as evidence. As has been pointed out many times before in this publication, stock dividends



are valueless from a security-holder's point of view, being merely a book-keeping departure whose benefits, if any, accrue to the corporation.

(While on the subject of stock dividends, it may be of interest to suggest what effect the 200% stock dividend might have on Prairie's balance sheet. Utilizing the Profit & Loss figures as reported for 1921 as our basis, here is what Prairie's capital liabilities, as of December 31, 1921, might show "before" and "after" such a disbursement:

Before the Stock Dividend

Capital Stock	$18,000,000
P & L Surplus	86,796,851

After the Stock Dividend

Capital Stock	$54,000,000
P & L Surplus	50,796,851

The process, obviously, if handled as above, would add nothing that it did not take away, although it might serve to make the Profit & Loss Surplus appear considerably less disproportionate.)

Conclusion

Altogether, were the writer the holder of 10 shares of Prairie Oil & Gas at these levels, worth $2,650, he would be sorely tempted to sell out and take what would be his profits. The proceeds he would be inclined to invest in such a bond as the Philadelphia Co. 6s of 1944, which offers a straight yield (6%) or all but twice as much as that to be had from Prairie Oil & Gas. To be sure, he would be changing from a speculative common stock to an investment bond, and thereby would forfeit title to possible speculative profits. But when the issue he is switching from offers what appears to be a maximum return amounting to less than that to be had, even, from U. S. Government bonds, such a step toward conservatism would be exactly in accord with his preferences.

In a word Prairie Oil may still be, and undoubtedly is, one of the strongest of the old Standards. But, in the past, it only once yielded as little as it promises to yield today; and it yields today considerably less than many gilt-edge bonds. And, to the writer, that is too high a price to pay for the meagre speculative possibilities it seems to contain.

MARLAND OIL

Marland Oil's property holdings appear well arranged and of substantial potential value. But not quite the same attitude is suggested by its financial position and earning power when considered with relation to its capital obligations. A good many figures are necessary to explain this point, and they are included in what follows:

As of September 30th, last, Marland Oil had the following funded debt:

8% Gold Bonds, 1931	$3,570,000
7½% Gold Bonds, 1931	2,922,000
Purchase Money Obligations	3,350,974
Equip. Trust Certificates	1,272,210
	$11,115,185

Figuring the interest requirements on that part of the debt not represented by the two bond issues and the equipment trust certificates on an 8% basis, it appears that Marland's annual interest requirements total $803,061. To this must be added annual sinking fund charges of $400,000 on the 8s and $300,000 on the 7½s, plus an additional 4% on the 8s, representing 1% additional interest paid on these bonds for every $1 in dividends paid on the stock. The grand total, on this basis, of Marland's fixed charges figures up as follows:

Int. on $3,570,000 8s	$285,600
Skg. Fund on 8s @ $100,000 Quarterly	400,000
Contingent-Interest Addition @ 4%	142,800
Int. on $2,922,000 7½s	219,150
Skg. Fund on 7½s @ $75,000 Quarterly	300,000
Int. on Remainder of Funded Debt @ 8%	369,847
Total	$1,717,397

In the nine months to September 30th, 1922, Marland officially reported total income, before interest and sinking fund charges, of $3,270,643. There were, of course, reductions in crude oil prices dur-

(*Please turn to page 862*)

Mining

Greene-Cananea Copper Co.

New Start for Old-Time Favorite

Mexican Producer Resumes Production After Long Lay-Off—Has It Completed Readjustment?

By STANLEY LEWIS

WHEN Greene-Cananea resumed operations in August, 1922, after a lay-off lasting over seventeen months, copper men and market followers were interested in seeing how it would make out under the new conditions of labor, copper prices and operating methods. It was known that during the long idle period, improvements of importance had been made in the concentrating mills, the highly efficient flotation process had been introduced, and, in general, production costs were believed to have been sharply cut.

Since that time the company has made a better showing as a copper producer than as a stock-market speculation. It has shown its ability to maintain production at better than 3.5 million pounds a month, with an upward tendency which should carry it up to 50 million pounds for the full year, and at a production cost estimated around 10 cents a pound.

In the market, however, it has been a disappointment. During August, 1922, it moved up from 30 to 33, practically its top, from which point it declined to 22 in November, and since then has improved to a current level around 28, or half-way between the high and the low of the past few months.

A Mexican Proposition

Greene-Cananea operates a group of mines in the State of Sonora, Mexico, forty miles from the American boundary-line. Its mineral lands, held under title from the Mexican government, total about 14,250 acres, which have been extensively developed, underground development amounting to about 150 miles, of which 45 were done from 1917 to 1921. The company has made it a policy to develop new ore as it uses up the older reserves. The ore is over very high grade, refined copper extracted being about 2.18% of the weight of ore mined. It produces normally between 40 and 50 million pounds a year of copper, in addition to about 1¾ million ounces of silver and considerable gold, averaging 9,000 ounces a year, which help bring down production costs materially.

It has complete reduction works, with a capacity of 2,800 tons a day, and a smelting plant, both efficiently equipped and recently considerably improved. The company's railway is about 36 miles long and can handle from 1.5 to 2 million tons of ore annually, or well over the company's output.

The capitalization consists of 500,000 shares of common stock, of $100 par value, of which Anaconda owns 59,600 shares directly. There are no securities senior to the common, and no floating indebtedness as of the end of 1921.

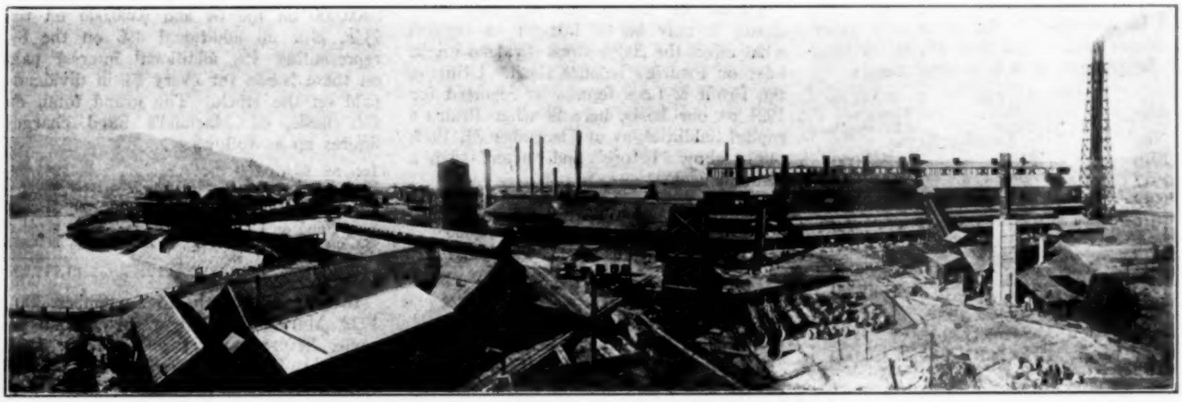
The company's earnings in the past have suffered considerable interference from the depredations of Mexican bandits, who are particularly active in the regions where the company operates. Trouble from this source forced the company to close down from June 23 to Dec. 9 in 1917, and together with the depression in the copper market again from Jan. 17, 1921, to Aug. 15, 1922. Because of the high grade of the company's ores, it can increase production and profits very quickly in a booming

(*Please turn to page* 840)

SOME VITAL STATISTICS ON GREENE-CANANEA COPPER CO.

Year	Production, lbs. copper	Production cost, cents per lb.	Earned per share	Dividends per share
1912	48,157,847	10.49	$1.03	*75c
1913	44,480,574	9.63	0.94	*45c
1914	21,858,920	10.72	1.32	2.00
1915	16,335,081	11.08	2.88	....
1916	62,250,067	11.85	15.35	8.00
1917	30,496,487	17.49	4.99	8.00
1918	53,348,643	15.08	6.87	8.00
1919	41,404,810	14.75	2.20	1.50
1920	43,672,939	16.30	1.12	1.00
1921	2,025,602	14.18	‡4.94	....
1922	†9,500,000	†10.00	....	....

* Stock of $20 par; changed 1913 to $100 par.
† Estimated.
‡ Loss.



The Greene-Cananea Copper Mines in Mexico

IN THE BANKING WORLD

Conducted by

H. Parker Willis

Discussions of Current Problems and Reviews of Recent Events Conducted in the Interest and for the Use of the Banker Readers of THE MAGAZINE OF WALL STREET

Mr Willis Was Formerly Secretary of the Federal Reserve Board Later as Director of the Bureau of Analysis & Research. He Developed the Board's Present National System of Financial Reporting

Is Our Gold Stock a Menace?

Some Facts in the Gold Situation—Influence on Discount Rates and Possible Inflation

THE Comptroller of the Currency in his annual report brings to the front a question which has been receiving no little attention for some time past among those who are most conversant with banking conditions. Mr. Crissinger forecasts a probable turning of the tide with regard to gold and in this forecast he is practically in line with predictions which have been made by Secretary Hoover and others not long ago. There is no definite statement in any quarter as to the factors that may be relied upon to reverse the gold current, so that these estimates must be regarded as conjectural rather than demonstrable at the present moment.

On the contrary, there are many reasons for thinking that the movement of gold is likely to continue toward the United States, instead of away from it, for some time to come. During 1922 there was a net gold gain in this country amounting to about $238,000,000. The gain for January last was not a large one but nevertheless amounted to $24,000,000. So up to the present time gold has moved toward this country, for the years before 1921 were a period of unusual and even unprecedented growth in our holdings of the precious metal. We are handicapped to some extent, in our estimates of the present situation in international trade, by the fact that it has been some months since complete import statistics were made public. Whether the up-to-date import figures would show a reversed merchandise balance, i. e., a balance against the United States rather than in its favor as heretofore cannot be absolutely asserted, but all other sources of information are against such a belief.

The increase in customs duties which is usually pointed to as evidence of the movement of a great body of imports into the United States is probably due to the fact that tariff rates are so much higher under the Fordney-McCumber Act than they were in former years, so that evidence deducible from the duties can hardly be admitted as conclusive. It is, of course, true that our refusal to finance exports to foreign countries has tended to cut off shipments and the result is to bring about a nearer balance than has previously existed. It may easily be too, that, when the figures are in hand, it will appear that with some countries we have actually developed an adverse balance of merchandise shipments which may result in calling upon us for gold. The fact is, however, that most foreign countries today want goods and not gold, and that whatever balances they accumulate in this country will be used in paying past debts or in buying new goods. This country today is able to compete successfully in almost any line of trade with foreign producers, and the result is to make it very difficult to change the current of international commerce in the way referred to. Even if minor movements of gold should tend to cut our holdings in favor of some countries, they are not likely, so far as can now be seen, to make any material inroad into our gold stock.

Our Great Gold Stock

We now have in Federal Reserve banks an enormous gold holding, amounting in round numbers to 3.1 billions. Outside of this in the country at large, there is a considerable additional fund of gold, some of it in the Treasury or in bank vaults and some in circulation. There are those who estimate this stock of gold at a figure sufficient to bring our entire ownership up to 4.5 billions, while the more conservative place it at nearer 4 billions. Our holding is at all events about 50 per cent of the present visible or available supply of gold in the world in a "free" form, so that it has become a very serious matter should this holding increase any further. As it increases, a corresponding decrease is produced in the necessary gold held by other countries, the result being to reduce their power of getting back to a position which will enable them to convert their currency and bank deposits on demand into metal. The question then at issue in our gold holding is one which involves the restoration of a gold standard of money in all other countries. This makes it a world problem rather than a local controversy. It is, however, a very important local issue as well and one whose significance is not as generally recognized as it should be.

With this great stock of gold on hand, the theoretical lending power of reserve banks is correspondingly increased, with the result that if a steadily rising level of prices should bring greater pressure to bear on the reserve banks resulting in a corresponding increase in loans on their part, the ordinary check which is afforded by the falling of the reserve ratio (the ratio of gold on hand to demand liabilities outstanding) would not be operative for a long time. We might therefore have a return of what is called "inflation," that is to say artificial advance of prices, if we should yield to all of the discount applications which present themselves at reserve banks in the ordinary course of business.

Gold and Discount Rates

This is the situation which has been so much discussed from various angles in connection with discount rates. A good many bankers and other financiers are of the opinion that, as long as a great quantity of gold is on hand at reserve banks, so that they can continue

lending without reducing their reserve ratio too far, they ought to keep their rate low and thus permit the loan operations to proceed at the will of borrowers and without any increase in charges. Of course, this entirely ignores the whole relationship of prices and bank credit. Only a few weeks ago, a member of the Federal Reserve Board in a public address expressed the opinion that reserve bank policy had no bearing on prices. In this, however, he has had no recognition or support from the banking community which knows perfectly well that there is a direct casual connection between movements in the prices of commodities on the one hand and bank credit on the other.

The effect of an advance in discount rates, when made in time, is to restrict the growth of bank credit, and as that is restricted prices are correspondingly restricted. One trouble with the increases in bank rates which have occurred at European central banks of recent years has been the fact that they were not made until prices were moving forward with great rapidity, so that they came too late to check the upward trend, because borrowers could make profits by getting funds even at a very high rate of discount, inasmuch as they were quite sure that by the use of such funds they would be able to control commodities which before the maturity of the loan would sell for far more than enough to cover the cost of the borrowing. The effect of a very large increase in gold, or of an enormous holding of gold such as we have now, is to make bankers feel that they can with safety loan a far greater amount of their funds than they otherwise would, because of the circumstance that they have so large a reserve on hand. This notion may or may not hold good, since the reserve does not help them very much if the loans they make are non-liquid or long-term so that they become "frozen." There is always a danger of inflated or unwise banking when we have an oversupply of metal in the vaults of reserve or central banks.

Sources of Danger

It is for this reason that many public men at the present time, and farsighted bankers as well, are disposed to think that the gold holding of the United States is a cause of danger which may result in hazard from various sources including those which give rise to demands for loose farm credit as well as those which call for funds to use in the speculative and investment markets. How the gold stock could be employed in such a way as to obviate these risks is a question which has already called forth a good deal of ingenuity for its solution.

One plan that has been very strongly suggested is the definite setting aside of a quantity of the gold as a "super-reserve" against notes, somewhat in the same way that the Bank of England places a gold reserve pound behind its bank notes in normal periods. Another project is that of lending the spare gold to European countries for the restoration of their currency systems to a convertible basis. Such loans might be made, either in metal itself or they might be made in "exchange," which

HERBERT HOOVER
Secretary of Commerce

would involve the setting aside of quantities of gold here in this market for use in providing exchange in connection with the stabilization or restoration of their exchanges to the original basis of parity with gold which they occupied in former years. The trouble with this plan, thus far, has been that there was no use in it, unless foreign countries were willing to rectify their own banking conditions at home; and, as a feature of such a policy, to stop calling upon the banks for enormous discounts based on the Government's short-term obligations.

Other methods of eliminating the surplus gold from the country have been ingenious rather than practicable. At the present time, as already noted, the suggestion that gold may be exported in considerable quantity through a reversal of the balance of trade has but little probability.

The question whether our gold stock is a menace can thus be answered pretty clearly, although in a way that is quite different from the one that seems to commend itself to a good many public men. The gold is a potential menace which will give danger only if unsound or unwise banking with excessive loans, based upon specie stocks rather than upon credit conditions, is allowed to prevail. The menace which exists is largely a menace due to lack of self-control on the part of politicians and of bankers who are in their service. Our retention of this great stock of gold is, however, not a good thing for ourselves and is a great harm for the rest of the world. The sooner it can be returned to the countries from whence it came, in some satisfactory and beneficial manner, the better for all concerned.

This does not mean that there should be hasty, unwise or useless measures to eliminate the gold from our vaults, but rather that the effort to be made should be directed toward insuring sound banking. Least of all, does the situation call for any attempt like that of the Treasury Department to disperse the gold by paying it out in ordinary use to individuals who do not want it and do not ask for it.

Administration Banking Program in Difficulties

Problem of Rural Credit Legislation—Board Membership Still Doubtful

Washington, February 21.

WITHIN the past few days, it has seemed likely that the programme for Congressional action on rural credits at the present session of Congress, might be considerably modified. This is due to the fact that the session is now drawing so near its close without definite results. In the course of the past few days, however, the House Banking & Currency Committee has shaped a programme which calls for the passage of the Capper Rural Credits bill which came over from the Senate, and for the Strong bill amendatory of the Federal Farm Loan Act. The Capper bill, it will be remembered, provides for the creation of a new set of institutions to deal in "intermediate credits," and has been endorsed by representatives of the Administration who have been desirous of seeing some action taken at this session of Congress in order to placate the "farm bloc." The Strong bill has considerable support, but is not regarded as particularly essential one way or the other.

Controversy Over Lenroot Bill

But an unexpected difficulty has appeared in connection with the so-called Lenroot bill which the Committee had expected to amalgamate with the Capper Measure. The Lenroot bill, it will be remembered, provides for the creation of short-term credit departments (making loans for brief periods on ordinary personal security to farmers), the farm-loan banks

(*Please turn to page 827*)

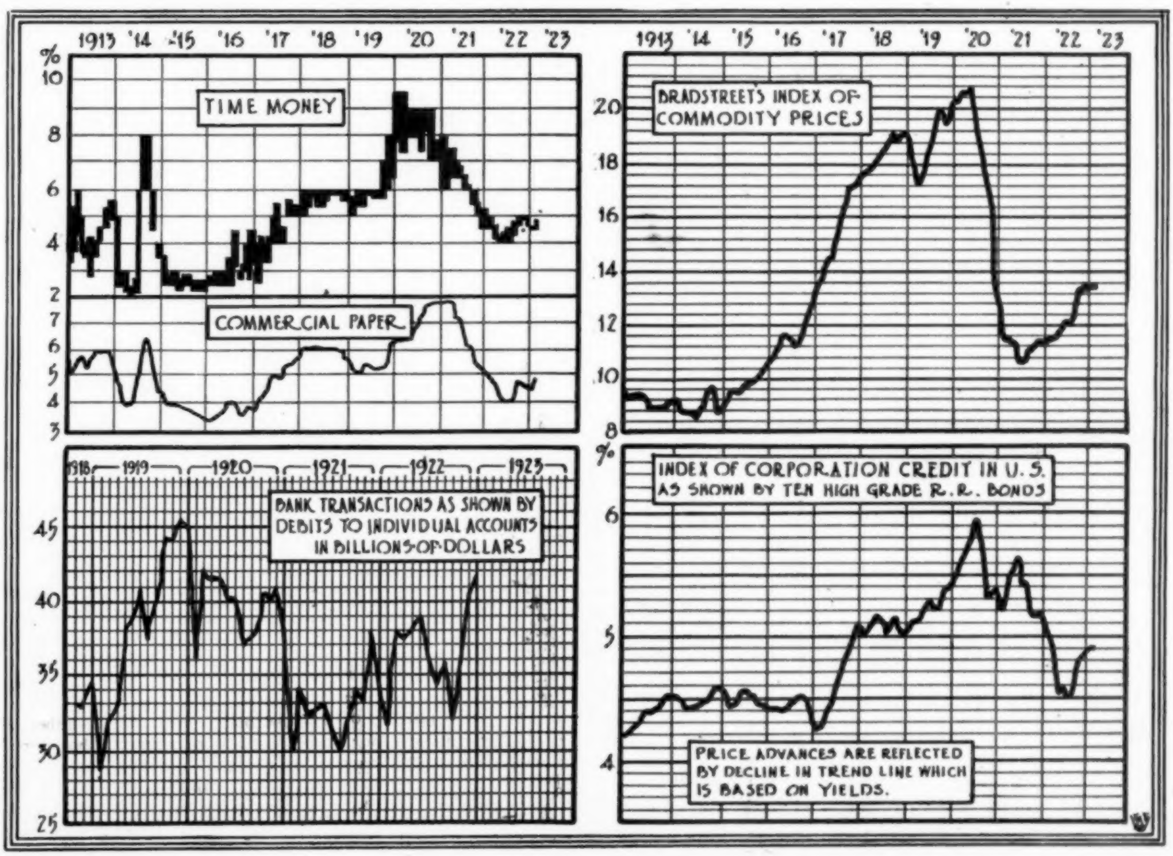
Trend of Money Prices and Credit

Business and Credit Resume Upward Movement

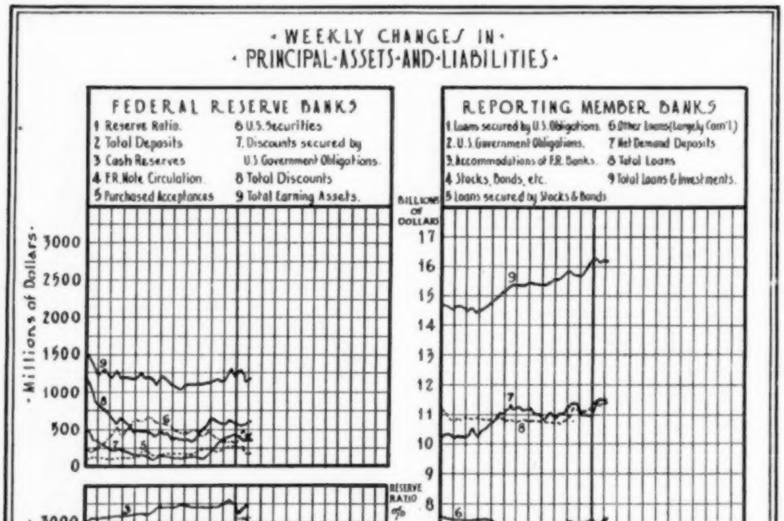
VERY decisive indications concerning the movement of credit, prices, and borrowing conditions, have made their appearance in the market during the first half of February. The situation is a reflection of another remarkable expansion of business which has carried the volume of output up to unexpectedly high levels and has even advanced the output of manufactures, probably, above the 1920 level, which had been assumed as a high water mark not likely to be approached in the near future. The facts now at hand seem to show that this level was very nearly, if not quite, reached during the latter part of 1922. Then came a recession in business which cut down the volume of output in a number of lines, and now there has developed a renewed movement of expansion whose consequences cannot yet be foreseen, but which at all events are pretty directly reflected at the present moment in the credit and banking outlook.

The situation is best observed in the call and time money market and in commercial paper. In all of these branches of borrowing the forepart of February has seen sharp advances in rates of charge. Such advances have gone along with an increase of from 50 to 100% in the volume of turnover on the Stock Exchange. They represent not only an expansion of demand from business sources for money to be used in production, but also an increase in the demand from speculative and investment sources for funds to be used in carrying securities. This upward movement of money rates is clearly reflected in the diagram herewith which illustrates the tendencies referred to, and would be even more destructive were it possible to cover the entire situation down to the present moment.

Bankers, however, have to some extent combated the advance in rates so far as it affects call and time money by lending freely. Interior bankers (as is well known) are in the habit or sending larger supplies of cash to New York whenever stock market conditions seem to require it, whenever reflected in an advance in rates for call and time funds. As soon as such an advance became well marked, as it did about the middle of the month of February, there was a decisive movement of such funds back from interior points to New York, the result being to temporarily cut the price of loans at call, although the effect upon time money was not nearly as great. However, both in the investment and in the commercial field, as already stated, the effect of greater demand, coupled with some tendency to scarcity, has been evident. There is now little reason to doubt the accuracy of the prediction, made some weeks ago, that the spring of the year 1923 would see steadily increasing charges for money.



The Banking Situation



WITH business much enlarged and with advancing calls for accommodation in many lines of industry, it is to be expected that a sharp upward movement both in the accommodation extended by Federal reserve banks and by member banks to the community should make itself felt. The latest figures reported by both classes of banks undoubtedly show that business expansion must be "carried" through current enlargement of the aid rendered by banks.

Difference from Former Expansion

In the last substantial expansion of credit, it was found that a good many business houses had accumulated, during the dull period, considerable quantities of securities which they were able to "dump" on the market, and were thus able to get funds without direct borrowing at banks on the strength of commercial paper. Inasmuch as the bonds so dumped had to be taken up by someone, there was a tendency to increase the investments of the banks faster than their loans on business paper. The case is now different, as comparatively few active business houses are still possessed of quantities of bonds and other long-term investments which they had some time ago. Instead, they are obliged to resort to their banks with the result that accommodations they have shown a marked enlargement, running parallel to the increase in volume of business.

Effect on Member Banks

It is the member banks or ordinary commercial banks of the Federel Re-

FEDERAL RESERVE BANKS

(In millions of dollars.)

Date	Cash reserves	Bills discounted, total	Government securities	Total deposits	Federal reserve notes in actual circulation	Reserve ratio
Nov. 29	3,202.8	650.0	304.4	1,860.2	2,329.8	76.4
Dec. 6	3,172.9	704.9	311.8	1,910.1	2,361.2	74.3
Dec. 13	3,184.8	659.7	307.2	1,861.1	2,379.1	75.1
Dec. 20	3,156.7	615.5	431.2	1,881.9	2,456.7	72.8
Dec. 27	3,148.8	629.8	457.8	1,900.2	2,464.1	72.1
Jan. 3	3,162.9	627.6	456.5	2,024.7	2,411.0	71.3
Jan. 10	3,187.2	512.0	508.1	2,019.8	2,312.6	73.6
Jan. 17	3,214.1	513.3	412.4	1,969.5	2,256.5	76.1
Jan. 24	3,222.0	569.7	352.8	1,990.8	2,221.3	76.5
Jan. 31	3.227.1	597.2	353.7	1,991.1	2,210.7	76.9
Feb. 7	3,219.4	569.3	353.1	1,964.4	2,217.8	77.0
Feb. 14	3,219.0	653.4	353.5	2,030.7	2,243.6	75.3

REPORTING MEMBER BANKS

(In millions of dollars.)

Date	Number of reporting banks	Loans and discounts	Investments	Rediscounts and bills payable with Federal reserve banks	Ratio of accommodation (4÷2+3)	Net demand deposits
Nov 29	784	11,218	4,542	381	2.4	11,094
Dec. 6	784	11,246	4,538	450	2.9	11,010
Dec. 13	784	11,258	4,531	396	2.5	11,111
Dec. 20	782	11,281	4,834	352	2.3	11,186
Dec. 27	782	11,328	4,822	369	2.2	11,255
Jan. 3	783	11,590	4,740	390	2.4	11,527
Jan. 10	781	11,476	4,687	289	1.8	11,596
Jan. 17	781	11,496	4,865	292	1.8	11,600
Jan. 24	780	11,388	4,844	359	2.2	11,519
Jan. 31	780	11,425	4,840	379	2.3	11,587
Feb. 7	780	11,439	4,802	357	2.2	11,485

BANKING INDICATORS

Discount rate at Federal Reserve Banks 4½%

Commercial Paper in New York Market February 24 5

Reserve Percentage Fed. Reserve System February 21 .... 75.8

Reserve Notes Outstanding February 21 ....$2,260,497,000

Bank Rediscounts (with F. R. Banks) February 14 ....$446,244,000

Sterling Exchange Index Federal Reserve Board 95.65

Net Gold Impts. January......$24,345,393

Commercial Paper Rate London (bankers three months bills) Feb. 24......2 7/16

Wholesale Price Index (London Economist) Jan. 7 (for end Jan.).......196.5

Reserve Percentage Bank of England, February 22 ....19.56

erve System which naturally feel this impetus first. For the 800 member banks whose returns are charted herewith, the latest figure for deposits shows an increase over the corresponding date a year ago of about $1,250,000,000, while the increase in loans and discounts and investments has been even more rapid. There is still some fluctuation up and down from week to week, but on the whole the tendency or "trend" is upward; and it appears to be true as was stated some time ago that the "slack" in credit has been largely taken up at the banks with the result that these banks will be more and more obliged to resort for their immediate necessities, in many cases at least, to Federal reserve banks. Due to the fact that a great many "undigested securities" are still on the market, the investment portfolio of the member banks is not likely to fall off for some time to come, while on the other hand it may not increase very greatly because the enlarging demand for commercial accommodation will take the full strength of the various institutions. This enlarging commercial demand will be reflected in the growth of bills discounted and in the advance in demand deposits from this time forward.

Growth, however, in business demand is being fully reflected in reserve bank figures which are affected not only by the calls of member banks direct, but also by purchases in the open market which practically amount to the same thing as an extension of credit to discounting banks. Up to the middle of February, there has been a very pronounced expansion of Federal reserve credits which left the total extended fully as high as it was last year at this time, but with a very much more marked rate of growth which may be expected therefore to carry it up to much higher levels in the near future. All this foreshadows not only higher interest rates in the open market, but higher rates of discount at reserve banks.

ADMINISTRATION BANKING PROGRAM IN DIFFICULTIES

(Continued from page 824)

incorporating such departments into their own structure. Under this plan, the Government would have to capitalize the farm-land banks more highly, probably by the use of its own funds, and the result would be that it would become responsible for a great mass of non-liquid loans which might or might not be good, according as there was good management of the farm-land banks. This situation has appealed more and more strongly to Secretary Mellon as one involving some danger with the result that he prepared and issued a vigorous statement designed to oppose the Lenroot bill. That this will or should be sufficient to prevent the Lenroot bill from being added to the Capper measure is apparent, although the farm bloc would probably be strong enough to force it into the bill if the session were a little longer. In the effort to pass it the farm bloc secured statements from Messrs. Wallace and Hoover, but there is still doubt as to the outcome even though the combined measure should succeed in making its way through the House of Representatives, thus getting into Conference Committee. There has been a good deal of revulsion of feeling against these rural credits bills, although it has not sufficed to hold them up entirely. Extreme farm-bloc men now feel that they are not likely to do much good, while conservatives are certain that they may be productive of no little harm. Assuming that the farm credit bill is finally passed in its full form there will necessarily be a lengthy period before the complex machinery it provides can be established.

Confusion in the Reserve Board situation still continues, due to the apparent determination not to confirm President Harding's candidate for Comptroller of the Currency. This makes it difficult to move Controller Crissinger into the Governorship of the Federal Reserve Board, and has again suggested the probability that there will be another delay in the whole readjustment. If Congress does not act on the appointments, President Harding would be obliged to make so-called "recess appointments" which would carry the reorganization of the Reserve Board forward to next winter, leaving it in the meanwhile with two temporary members whose confirmation was still uncertain. This is taken to mean that there will continue to be doubt and hesitation in formuating any definite discount policy, the Reserve Board being naturally uncertain as to its future membership, while the proposed members themselves will of course be doubtful of their status, and perhaps disinclined to take any very positive positions on policies which are of long-range scope.

The winter meeting of the Federal Advisory Council has just been held, and took up what is called the Warburg plan for separating the discount-rate policy of reserve banks in their relation with country members, from the policy pursued in their relation with city members. The plan, if worked out, would result in very low rates for acceptances, city banks getting accommodation through the sale of their acceptances or through discounting them with reserve banks, while country banks would get what they needed through direct rediscounting. This, it is assumed, would give the reserve banks a much stronger hold on the level of rates in the country districts, and would presumably mean very much higher rates to country banks than have heretofore been customary, i.e., rates which would come much closer to the rates charged by the country banks to their own customers, leaving such banks a much smaller margin of profit. No doubt this change in policy might be initiated without new legislation, but it would be so drastic a departure from methods heretofore involved that it does not seem likely that the Reserve Board would consider it seriously without Congressional authorization. Some means, however, of giving the reserve banks a more active and "live" relationship to the financial market than that which they now hold is believed by many to be nearly essential to the prosperity of the reserve system in the future, though there is the most serious doubt whether this proposed plan would meet existing difficulties.

15 INDUSTRIALS CLOSE TO DIVIDENDS

(Continued from page 801)

pear to be justified in taking early dividend action. Earnings seem sufficient to support a $3 rate. **At present price of 25 the stock has attractive speculative possibilities.**

Tennessee Copper & Chemical

Tennessee Copper & Chemical was adversely affected during the war period because of a contract made at a fixed price for the sale of sulphuric acid. Instead of joining in the prosperity of that period, it suffered losses that necessitated a readjustment of capitalization. Additional stock was sold, 200,000 shares at $16 a share and 400,000 shares at $12.50 a share. As a result of this financing the company is now in good financial condition and as the unfavorable sulphuric contract has expired is apparently in a good position to show substantial profits. Outstanding stock totals 794,226 shares of no par value.

Tennessee is now operating close to the highest rate in its history. Price of acid phosphate is about 50% higher than a year ago with demand increasing. Demand for sulphuric acid has become strong and prices show moderate improvement. Copper prices are more than a cent higher than the average for 1922. These are the three principal products of the company and the improved situation has been reflected in higher earnings. In 1921, Tennessee earned 20 cents a share after allowing for depreciation and it is estimated that 1922 earnings will show around 50 cents a share. Current earnings are at the rate of over $1 a share and likely to increase. As the company is already in a strong cash position and does not need to further build up working capital a dividend payment may be expected.

At present price of around 12 the stock is only a few points above its 1922 low and appears to offer a good speculative opportunity.

SERVICE SECTION

ANSWERS TO INQUIRIES

Industrial Securities

CONVERTIBLE BONDS

Five Issues Suggested on Which Convertible Privilege May Become Valuable

Being an investor of the conservative type I do not go in much for common stocks, I would like to benefit to some extent, however, in the upward movement of stocks if I can do so without assuming too much risk. Convertible bonds appear to be the only answer to my problem. Can you suggest any issues that look attractive at this time?—F. L., Albany, N. Y.

The following list of five convertible issues we consider attractive, as they give a fair return on the investment with a high degree of safety and the convertible privilege would appear to have a very good chance of being valuable. The one issue that might be considered somewhat speculative is Magma Copper 7s as they can be called at 105 and are now selling at 6 points above that price. However, as the company is in need of all its working capital at this time there would appear little likelihood of the bonds being called in the near future. With the stock selling close to the price at which the convertible privilege becomes valuable, we consider that they offer a good opportunity.

	Maturity	Price	Yield	Redeemable	Convertible Price of Stock
Wilson & Co. 7½...	1931	104	6.8%	106¾	$50
Chile Copper 6s....	1932	100	6.0%	110	35
Magma Copper 7s..	1932	113	5.1%	105	33⅓
Ches. & Ohio 5s....	1946	95	5.4%	105	$80 to April 1, 1923 $90 from April 1, 1923, to April 1, 1926
N. Y. Central 6s....	1935	104	5.5%	110	105 prior to May 1, 1925

AMERICAN SNUFF

Another Stock Suggested

Last year I purchased 25 shares of American Snuff around 125. Would you consider it advisable to take my profits at present prices or continue to hold? What is the financial condition of the company and what is the rate of earnings? Is there any other stock into which you would advise a switch?—O. B. M., Montclair, N. J.

American Snuff annual report for 1922 has not as yet been issued but it is anticipated that a better showing will be made than in 1921 when 14.31% was earned on the common. For the ten years ended Dec. 31, 1921, earnings have averaged 14% on the common. Company is in strong financial condition with a working capital of 6.7 millions, ratio of current assets to current liabilities being 7 to 1. While we consider the stock a good business man's holding and that the present dividend is fairly secure, at present levels of around 150 we do not consider that it has as good possibilities for further appreciation in value as several other issues. It is our opinion that you would improve your possibilities for further profit by switching into American Woolen selling around 102 and paying 7%. American Woolen is in strong financial condition, has an able management and the outlook is for a very prosperous year. Capitalization of the company is conservative. There is 40 million preferred and an equal amount of common. Working capital alone is 64 million equal to 80% of total capitalization.

COCA-COLA

Earned $11 a Share in 1922

Do you consider Coca Cola a good specvestment?—F. H., Dechard, Tenn.

We feel that Coca-Cola has quite attractive long-pull possibilities. In 1922 over $11 a share was earned on the stock and we do not see why earnings should not continue at a very favorable rate. The demand for Coca-Cola is so well established that even should the price of sugar advance considerably it would not hurt the company to any extent as it would simply advance the price of its product. It has done this in the past and has found that the advance did not decrease sales to any appreciable degree. The only thing to fear is possible competition in the future but, in our opinion, it would take a long time for any other article to be put on the market to seriously compete with Coca-Cola in view of the many years of national advertising it has had.

COLUMBIA GAS & ELECTRIC

Earned 10.16% in 1922

Would like to have some advice in regard to Columbia Gas & Electric stock. I have 200 shares which at present price of 112 shows me a profit of over $7,000. I am inclined to take this profit but have been advised not to do so by the same people who originally advised its purchase as they say good things are in store for stockholders. Please give me your frank opinion as to the advisability of taking profits.—C. B. K., Philadelphia, Pa.

Columbia Gas & Electric for the year ended Dec. 31, 1922, reported $10.16 a share earned on the $50,000,000 capital stock. This compares with $6.91 a share earned in 1921. Directors have recommended that stockholders approve at annual meeting April 10 changing capital from 500,000 shares of $100 par to 1,500,000 shares of no par, holders of present stock to receive 3 shares of new stock for each share held. Company's territory is in and around Cincinnati where it supplies all the gas and electric light and power. It also has a big investment in United Fuel Gas, one of the largest natural gas properties in the United States, in which it owns 15.3 million of the common stock outstanding. In April, 1922, the Ohio Court of Appeals affirmed decision of the lower court and denied a petition by the city of Cincinnati for an injunction to restrain the operation of the new gas rate contract which was put into effect January 1922. This new gas rate has been an important factor in increasing the earnings of the company. There is still, however, considerable political agitation to reduce rates in Cincinnati and as no one can definitely forecast what the result of this will be our advice is to take at least a substantial percentage of your profits. For the past ten years, earnings of Columbia Gas have averaged about $3.50 a share on the stock. If you wish to switch into some other stock with good possibilities we would suggest Associated Dry Goods paying $4 a share and selling around 69. Earnings of this company are running at the rate of over three times present dividends and larger dividends are likely this year.

HENDEE MANUFACTURING

Sound Financial Condition

As I have had some Hendee Manufacturing stock for some time and it has not joined in the upward movement of stocks to any extent I would like to have you give me some information in regard to the company and your opinion of the stock.—A. H. M., New Haven, Conn.

In the years ended Aug. 31, 1921 and 1922, Hendee Manufacturing made a very poor showing, the deficit for the two years totaling 2¼ millions. A large part of these losses, however, were due to inventory depreciation and losses on investments in other companies. Despite these losses the company is in good financial condition, balance sheet as of Aug. 31, 1922, showing current assets of over 2 millions, as against current liabilities of $650,000. Since that date the company has sold the Harley Co. of Springfield on a basis of

·SERVICE·SECTION·

rt cash and part mortgage, the tal sale amounting to $825,000. his has further strengthened the nancial condition of the company. In the current year, Hendee has xperienced an increase in business and nfilled orders at the present time are round 5,000 machines, sufficient to keep e factory running full for some time. A w general manager recently took charge f the plant and it is understood that reuctions have been made in the overhead xpense. Capitalization consists of 1 million 7% preferred and 10 million common ock. There is no funded debt. A value f $100 a share for the preferred and $22 share for the .common gives a market alue for the company's securities of 3.2 illions, which compares with net tangible sets of 3.5 millions. At present price of 2 the stock appears to have quite attractive long-pull prospects, although it should e regarded as a highly speculative issue.

DOUGLAS SHOE

Preferred in Strong Position

I have no recent information as to how ouglas Shoe Co. is doing and as I am an vestor in both the common and preferred ocks of the company will greatly appreciate y information you can furnish me as to e condition of the company.—S. C. L., ockton, Mass.

No information is available to us in regard to operations of the W. L. Douglas hoe Co. in the last six months of 1922, ut as conditions in the shoe industry were enerally favorable in that period it is reasonable to suppose that the company did at least as well as in the first six months. President Tinkham reported that the first six months of 1922 were satisfactory and the company succeeded in strengthening its financial condition in this period. As of July 1, 1922, current assets were 5 millions in excess of current liabilities and the company had nearly 2 millions cash on hand. Capitalization consists of $3,785,200 7% non-cumulative preferred and $1,460,000 common stock. It can be seen, therefore, that the working capital of the company alone is nearly equal to the par value of its common and preferred stock. With no funded debt ahead, the 7% preferred stock is in a strong position from an asset viewpoint and we consider it an attractive business man's investment at present price of around 98. W. L. Douglas Shoe has a good record and the common stock, while speculative, is not unattractive for the long pull.

OTIS STEEL

Speculative Possibilities

My broker has suggested Otis Steel common at 11 as a good speculation in the low priced stocks. What do you think of it?—F. M., Cincinnati, O.

Through financing last year by the sale of $5,000,000 bonds, Otis Steel Co. secured

(*Please turn to page 838*)

the preferred dividends will be shown earned. The company's shops are now fully manned and bad-order cars close to normal. Outlook is for heavier traffic this year. In 1921 the road earned nearly $3 a share on the common stock after allowing for preferred dividends. In view of the favorable outlook it is reasonable to assume that earnings in 1923 will cover the preferred dividends with a fair margin to spare. The 6% preferred cannot be considered a high-grade investment but we consider it a good business man's holding.

Inquiries on R. R. Securities

ILLINOIS CENTRAL

1922 Best Year in History

In looking over the railroad list I am rather pressed with the showing made by Illinois ntral and am considering the purchase of a e shares for investment. Do you approve f my choice?—V. G. M., Louisville, Ky.

Illinois Central in 1922 had the biggest nd best year in its history. It carried record amount of freight traffic, improved and increased its equipment, started work on an 88 million terminal in Chicago and earned approximately $15 a hare on its common stock. Prospects for 923 appear even better as the road's three rincipal commodities, coal, lumber and rain, are moving better and both the outh and middle-west are extending their urchases. Illinois Central was only lightly affected by the shopmen's strike nd the number of bad-order cars at the resent is only 6% which is about normal. The showing of the road for 1922 s all the more remarkable when it is onsidered that much of the coal carried y the road is mined in Illinois and that llinois mines were shut down four and half months in 1922. The earning power f the road is apparently sufficient to justify larger dividends on the common tock although no immediate increase is ooked for as the management is committed to a policy of improvement and extension and until this is completed are not likely to raise the rate. It is planned to spend over 45 millions for improvements in 1923. We consider the stock an attractive purchase for long-pull investment at present price of 112.

ROCK ISLAND

Preferred Dividends Earned

Do you consider Chicago, Rock Island & Pacific 6% preferred stock a good business man's holding?—H. K. M., New York City.

Chicago, Rock Island & Pacific was hard hit for a time by the shopmen's strike. Practically 100% of its forces walked out. This, combined with the rate reductions ordered by the Interstate Commerce Commission, cut down earnings so that estimates made earlier in the year were not realized. The report for 1922 has not as yet been published, but based on monthly returns it is anticipated that the preferred dividends will be shown earned.

SOUTHERN RAILWAY

Earned 4.85% on Common in 1922

I would like to have your views in regard to Southern Railway common stock. Do you consider the outlook sufficiently favorable to warrant holding the stock for a further advance in price? At present levels it shows me a profit.—S. S. T., Muncie, Ind.

For the year ended December 31, 1922, Southern Railway earned 4.85% on the 1,200,000 shares of common stock after allowing for a full 5% on the preferred stock. This excellent showing was primarily due to material reduction in operating expenses. Gross business was actually less than in 1921 when the company only succeeded in earning 3.38% on the preferred stock. This showing is all the more remarkable in view of the fact that the road was handicapped by the coal and shopmen's strike. Following the strikes the rejuvenation of the south through the advance in cotton was reflected in increased shipments. The outlook is for a much larger volume of traffic in 1923 than was handled last year and gross earnings in January were 3.2 million or 25% ahead of January, 1922. Our advice is to hold Southern Railway common stock for further appreciation in value.

NEW YORK CENTRAL

Earned 7½% on Common

Can you inform me what New York Central's earnings were in 1922 including its interest in the earnings of the subsidiary companies? I have always been a believer in the future of this road and hold a considrable amount of the stock for investment purposes. Do you agree with my judgment of the stock?—A. C. C., Watseka, Ill.

New York Central's annual report for 1922 has not as yet been published but from monthly reports earnings for the year are estimated at about 7½% on the common. This only includes dividends actually paid during the year by subsidiary companies. Includng New York Cen-

SPECIAL REPORT DEPARTMENT

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tral's equities in current earnings of all subsidiaries earnings on the common were between 11% and 12% Central now has 268 millions common stock, compared with 249.6 millions at the beginning of 1922, the difference having been issued to acquire additional Big Four stock. Central now owns 90% of Big Four stock both common and preferred. A very large volume of traffic is being handled by the road at the present time and the outlook is for a continuance of favorable operating conditions for some time to come. It is our opinion that New York Central can well afford to increase its present dividend rate and we consider the stock one of the most attractive in the railroad list.

CHESAPEAKE & OHIO

Van Sweringens in Control

Now that control of Chesapeake & Ohio has changed, how do you regard the outlook for the common stock? What are the possibilities for an increase in the dividend?—D. N., Baltimore, Md.

The record to date of the Van Sweringens in the railroad field has been a good one and, in our opinion, stockholders of Chesapeake & Ohio need feel no uneasiness because of a change in control and it may turn out to be a favorable development. For the year ended December 31, 1922, Chesapeake & Ohio earned about 8% on the common stock, compared with 6.67% in 1921 which is a very good showing. It is true that the road was benefited by the coal strike as it taps non-union bituminous fields, but this advantage was more than offset by the shopmen's strike and the resultant car shortage to meet fall-traffic requirements. The physical condition of the road in the past ten years has been steadily improved, chiefly through large investment of surplus earnings. Its present financial condition is excellent. With a constantly increasing demand for coal the company's traffic has grown rapidly in recent years, having more than doubled since 1909. In our opinion, Chesapeake & Ohio will get its full share of the increased business facing the railroads and we consider the common stock attractive. A larger dividend can undoubtedly be paid but this is a question of policy and no indication has been given as to what the new interests in control intend to do along these lines.

New Security Offerings

ROSENBAUM GRAIN PREFERRED

Yield 7.8%

Do you consider the 8% preferred stock of the Rosenbaum Grain Corporation suitable for a business man's investment? I am contemplating a purchase as the return is very attractive.—S. N. T., New York City.

Rosenbaum Grain Corporation capitalization consists of 72,500 shares of preferred stock of a par value of $50 and 50,000 shares of common of no par value. There is no funded debt. The preferred stock is entitled to 8% cumulative dividends and participates equally in dividends with the common after $4 a share has been paid. Net profits for the last 7 fiscal years, after Federal taxes at the present rate, averaged more than three times the annual dividend requirements on the preferred. The value of the company's property is appraised at over 4 millions. The total capacity of the grain elevators owned, leased and operated is 12,350,000 bushels. At the offered price of 51 to yield 7.8% we consider the stock attractive as a business man's investment.

ST. MAURICE POWER 6½s

Suitable for Business Men's Funds

I would appreciate having your views in regard to the St. Maurice Power Co. bonds which have recently been offered for sale.—D. K. M., Jersey City, N. J.

St. Maurice Power Co., Ltd., 9 million 1st mortgage 6½s, due 1953, are secured by a direct first mortgage on all the property of the company. The company was formed to develop the water power formed by the Gres Falls, Gabelle and Forges Rapids on the St. Maurice River, Province of Quebec. A plant of 120,000 h.p. installed capacity will be immediately constructed. The Shawinigan Water & Power Co., under contract, agrees that for 40 years from the first date of delivery it will purchase power available from the proposed development on terms that will yield the company sufficient net income to pay all operating expenses and taxes, as well as interest and sinking-fund requirements on these bonds outstanding. When the installed capacity of the hydro-electric plant is absorbed as provided in the contract net earnings will, it is estimated, be in excess of twice interest charges on these bonds. The Shawinigan Co. controls an extensive group of hydro-electric developments and has an excellent record of earnings over a long period of years. We consider the bonds a good business man's investment.

JENKINS BROS. 6s

Ample Surplus for Interest

Would like to have your opinion of Jenkins Bros. 6% bonds.—R. R. S., Milwaukee, Wis.

Jenkins Bros. $1,000,000 1st mortgage 6s, due annually up to 1938, are secured by a closed first mortgage on the land, buildings, machinery and equipment of the company located in Bridgeport, Conn., and Elizabeth, N. J. After giving effect to this financing net tangible assets of the company are more than $4,447 per $1,000 bond and working capital alone over 1½ times amount of bond issue. Net earnings before deducting depreciati[on] and Federal taxes, for the eig[ht] years ended December 31, 192[2] have averaged 7.8 times intere[st] requirements on these bonds and after deducting depreciation and taxes 4[.?] times. For the past 29 years, the company has in no year failed to show earnings in excess of present interest requirements with the exception of 1921 when there was a deficit due to depreciation in inventory. Company manufactures at Bridgeport the "Jenkins Valve" and at Elizabeth, valve discs and mechanical rubber goods. This issue appears well secured and at the offered prices to yield 6½% is not unattractive as an investment. Of course, bonds of a small issue such as this do not always have a ready market and we would not advise purchase unless you intend holding bond until maturity.

PRICE BROTHERS 6s

Canadian Issue

My attention has been called to Price Brothers & Co. Ltd. 6% bonds which are offered at 98⅛ to yield 6⅛%. Do you consider this bond a good investment opportunity?—D. B. M., Springfield, Mass.

Price Brothers & Co., Ltd., 10 million 1st mortgage 6s, Series A, are secured by a direct first mortgage on the fixed assets of the company. Net earnings for the year ended February 28, 1923 (2 months estimated), were over three times annual interest charge on this issue. The company is one of the largest manufacturers of newsprint paper and groundwood pulp in Canada and is also a large producer of cardboard, paper specialties, sulphite pulp, lumber, shingles, laths and railroad cross ties. We consider Anaconda Copper 1st Consolidated 6s, due 1953, selling on the New York Exchange at 96½ to yield 6¼%, a more attractive issue.

PACIFIC GAS & ELECTRIC 6½s

For Conservative Investment

How do you rate Pacific Gas & Electric 5½% bonds which have just been issued?—F. H. M., Port Chester, N. Y.

Pacific Gas & Electric 10 million 1st and Refunding 5½s, Series C, due 1952 are secured by a direct first mortgage on properties recently constructed at a cost of over 20 millions, including 3 modern hydro-electric generating plants of 127,436 horsepower capacity and, in addition, by a direct mortgage on all other properties of the company, subject to the prior liens of underlying mortgages; and by 33 millions general and refunding mortgage bonds pledged with the Trustees. For the year ended December 31, 1922, net earnings were 2.4 times the annual interest charges on the 121.7 millions bonds outstanding with the public, including this issue. On the basis of present market prices the equity over and above the funded debt represented by the outstanding common and preferred stock is in excess of 74 millions. This company has shown a good earning power over a long period and we consider the bonds entitled to a high rating. At the offered price of 98½ to yield 5.6% they are an attractive issue for the conservative investor.

SERVICE · SECTION

TRADE TENDENCIES

Rising Prices Feature Business

Volume of Unfilled Orders in Various Industries Continues to Grow—Good Season Expected

STEEL

Prices Continue to Advance

INDICATING how the steel market has turned from a buyers' to a sellers' affair may be cited the recent development in the industry relating to the apparent determination of mills that are well sold ahead to accept only the pick of the orders obtainable. This could not have been possible even a few months ago when most steel mills were glad to accept whatever business was offered them.

The industry, as a whole, is now operating at between 85 and 90% and the leading factor in the field is reported to be operating at a ratio to capacity of somewhat over 90%.

While the price trend of leading steel commodities is unquestionably upward, there are certain instances where the price schedule in effect is merely nominal. This is true, for instance, of tin bars and sheet bars which are nominal at $40 a ton, on account of the fact that there are very few sales, most makers desiring to use their own semi-finished steel in manufacturing finished products.

Railroad buying of equipment continues heavy, some additional orders for locomotives and freight cars having been recently placed on a large scale. Light rail demand is fairly heavy and the same is true of other types of track material.

Fuel prices have fluctuated upward but this trend is temporary, being due to car stringency as a result of extra cold weather.

Fabricated steel tonnage has rather fallen off in the past two or three weeks. The public utilities continue heavy buyers, with construction interests second. Heavier buying is expected shortly.

Pig-iron prices hold close to the top with fair tonnages changing hands. Domestic pig-iron makers have the field practically to themselves as foreign makers are unable to deliver on account of shutting down of French furnaces, incidental to the occupation of the Ruhr. British furnaces have been favorably affected by recent developments in western Europe.

The present position of the steel industry is exceedingly strong and with prices showing an upward trend and costs, at least temporarily, stabilized, the effect has been to increase the margin of earnings. Some exceptionally good earnings reports should be made at the end of this quarter.

THE TREND

STEEL—Prices advancing under heavy competitive buying. Big mills sold full up to the end of Spring. Premiums for early delivery.

OIL—Crude prices advancing, accompanied by increases in gasoline. Heavy buying going on. Large factors in very favorable position.

SUGAR—Raw and refined reach new high prices for past three years. No shortage but potential demand and supply nicely balanced, leaving sellers in a favorable position.

TOBACCO—Depletion of stocks on hand. Increasing shipments. Demand continues to increase. Prices slightly higher.

COPPER—Prices reach new high point for several years. Domestic demand on very large scale offsetting falling off of European demand.

AUTOMOBILES—Record January shipments. Production speeded up to meet expected demand. Favorable period ahead.

SUMMARY—Present industrial conditions continue to show a trend toward expansion. Higher prices seen in many industries. Outlook for the immediate future is good.

TEXTILES

Higher Prices Likely on Finished Goods

A comparison of cotton prices and those of finished materials indicates that the former has had by far the larger advance. It is also apparent that even if raw cotton does not advance any further, finished goods will very likely sell higher within a few months.

An analysis of the position of the textile industry indicates its exceptionally strong underlying position with the exception of labor. Liquidation of stocks held over from the débâcle of 1921 has been completed and manufacturers are now in a position to demand the higher prices justified by increased costs of production. Their position to demand higher prices is also favored by the generally good business conditions and full employment on the basis of a rising wage scale, so that in the event of further advances in the price of textiles it is not likely that a buyers' strike would ensue. Manufacturers are thus in a position to alter their price schedules almost at will. It is to be doubted that they will not take advantage of the opportunity while it is still theirs. For that reason, consumers will probably have a growingly difficult time of it unless they cover their requirements at an early stage.

What is true of cotton goods is also true of silks, woolens and worsteds. It is significant to observe that cotton has advanced about 60% since a year ago, wool about 40% and silk nearly 20%. This will indicate the exceptional change which has taken place in these industries. Consumption is increasing and mills are advancing operations to a point not seen for over a year. The outlook for the industry during the next few months points to steadily accelerating operations and, unless there are new strikes, more profits.

(See Footnote for Grades Used and Unit of Measure)

COMMODITIES

	1922 High	1922 Low	1923 Last*
Steel (1)	$40.00	$28.00	$40.00
Pig Iron (2)	34.00	17.75	28.00
Copper (3)	0.14¼	0.12⅝	0.15½
Petroleum (4)	3.50	3.00	4.05
Coal (5)	5.75	1.75	3.12½
Cotton (6)	0.26¼	0.17	0.28⅜
Wheat (7)	1.46	1.01¼	1.21
Corn (8)	0.78⅛	0.47	0.75
Hogs (9)	0.10⅝	0.08	0.08⅝
Steers (10)	0.10½	0.08½	0.10⅝
Coffee (11)	0.11¼	0.09¼	0.12¾
Rubber (12)	0.27	0.13¾	0.35
Wool (13)	0.57	0.45	0.57
Tobacco (14)	0.20	0.18	0.20
Sugar (15)	0.05¼	0.03½	0.06½
Sugar (16)	0.07⅛	0.04¾	0.08¼
Paper (17)	0.04	0.03½	0.04⅜

* February 24.

(1) Open Hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Pennsylvania, $ per barrel; (5) Pool No. 11, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 Red, Chicago, $ per bushel; (8) No. 3 Yellow, Chicago, $ per bushel; (9) Light, Chicago, $ per pound; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, — per lb.; (15) Raw Cubas 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.

WILL SUGAR HISTORY REPEAT ITSELF?

(Continued from page 809)

fuse to grow beets and turn to something else at which he can make more money. At the same time, the price that the company can afford to pay is limited by the sugar market itself, which the company cannot control. Last year, for instance, when the farmers knew they would receive only $6 a ton for their beets instead of $12, as in the previous crop, they turned to planting beans, with the result that the tonnage of beets delivered to the company dropped from 1,443,094 bags in 1921 to an estimated 775,000 bags in 1922.

The domestic beet producer, however, is favored by the tariff on sugar, amounting to 2 cents a pound on foreign sugars except for Cuban, which pays 1.60 cents. As this is the sugar which practically sets the basic market price, the more duty has to be added to its production costs to make the market price the higher the latter is, and as the market price is the same (except for a discount of 20-30 points based on the lower quality of beet sugar) that the domestic producers get, without having to pay the duty, the larger the profit to them.

In spite of the lower output, American Beet is expected to make more money than it did last year, as its production costs were lower and the market price it received was higher. The net earnings are expected to come to $600,000, which would allow of the continuation of dividends on the 5 millions of 6% non-cumulative preferred, and leave $2 a share on the 15 millions of common stock outstanding.

At current prices around 47 the stock does not seem attractive as some of the other sugars, as it has paid no dividends since 1921 and, at last report of March 31, 1922, is in poorer financial position than for many years past.

CUBA CANE SUGAR

This company has had a singularly disappointing career so far, usually attributed by trade experts to inefficiency in operation and overcapitalization. In the latter respect, its condition has become worse rather than better, as it had to float a 10-million dollar loan in 1922 and raise the interest on 17.5 millions of its debentures from 7 to 8% to secure their permission to have the new bond issue secured by mortgage. In addition, it has outstanding 7.4 millions of debentures bearing the 7% rate still. Its total funded debt is, therefore, 35.7 millions, with annual interest charges of $3,125,000, while at the end of 1919 it had no funded debt at all. The curious thing is that it produced 4,319,189 bags in 1919, more than in any following year, and in the season now under way is expected to produce some 3,500,000 bags. The great expansion in capitalization has not, therefore, resulted in a corresponding increase in production.

The original issue of 25 millions of debentures was intended to pay off 26 millions of floating debt outstanding at the end of 1919. By the end of 1921 the unfavorable conditions in the sugar market had compelled the company to borrow an additional 28.4 millions, a large part of which was disposed of during the year ending September 30, 1922, when only 7.5 millions were left.

In 1921 and 1922 the company lost 23 million dollars. In the current year, with an output of 3.5 million bags on its sixteen estates, it should earn over 11 millions, figuring on a selling price around current levels, 4 cents a pound, and costs of 3 cents a pound, which are conservatively above published estimates. At this rate its interest requirements would be met, and leave nearly 8 millions to meet the preferred dividends of 3.5 millions annually on the 7% cumulative preferred, on which 14% in back dividends have accrued. The company is in such poor financial position, however, that it is likely that the banks would compel it to pay up its current indebtedness and build up its cash reserves before allowing it to pay out dividends on the preferred, not to speak of the 500,000 shares of common outstanding on which no payment has ever been made. **At present prices around 60 and 18, respectively, neither class of stock seems particularly attractive, until the financial difficulties, which the company faces, have been settled.**

SOUTH PORTO RICO SUGAR

This company, while not quite in the same class with Cuban-American as far as low capitalization per ton of sugar produced is concerned, having a total capitalization of 22.2 millions and an output of 459,000 bags annually, has had a good earnings record and may be considered conservatively capitalized. It has two grinding centrals in Porto Rico. Being an American company, it does not have to pay duty and, therefore, enjoys an advantage to the extent of nearly 2 cents a pound over its Cuban neighbors.

Although it earned some 40 cents a share on the 11.2 millions of common outstanding in 1921, it was forced to borrow money from the banks, to the extent of 4.8 millions, and toward the end of the year issued 6 millions of first mortgage collateral 7s, due 1941, a rate lower than was usual in most of the 1921-22 sugar financing.

At the annual meeting in December, 1922, the president stated that he expected earnings would be small for 1923, on account of the short crop, which is expected to run to 86,500 tons, the same as in 1922, and substantially under the figure of 111,000 reached in 1921. The new situation in sugar prices, however, may make a substantial difference to the company. A profit of 1 cent a pound would mean earnings of 1.5 millions, which would allow $820,000 for bond interest and preferred dividends and leave some $6 a share for the common. **The stock at current prices, however, around 60, has discounted its prospects more than others in the sugar group.**

GUANTANAMO SUGAR

This company is almost unique in its field because it got through the 1920-1922 period without having to fund any of its floating debt, although in 1921 it did have to put out 1.4 millions of 8% cumulative preferred stock. It has 3¼ millions of common of no par value, including 2,788 shares of the old common of $50 par which did not accept the offer to convert at the rate of 5 to 1 into new stock of no par in 1920.

Its output averages about 250,000 bags, indicating a low capitalization, as it has two grinding mills and about 55,000 acres of sugar land. Earnings have run at a high rate in the past, and on the present rising market, assuming a profit of one cent a pound, profits should be $800,000 or more, indicating over $2 a share.

Its dividend payments from 1915 to 1921 averaged somewhat over $1 annually on the present stock. It has paid nothing since July 1, 1921. Current prices around 12 seem to anticipate a resumption of the $1 dividend rate, at which it would yield over 8%. **Possibilities of unusual profit seem to have been exploited less in this issue than is the case with most members of its group.**

Note: A review of two other members of the sugar group, American Sugar and Cuban-American Sugar, will be found on page 800.

READER'S ROUND TABLE

(Continued from page 799)

margin or for cash. The Supreme Court of the United States in Richardson vs. Shaw held that when such a purchase is made the stock actually belongs to the purchaser, and it must be dealt with as his property. It cannot be sold without proper notice to the owner. If such stock is allowed for convenience, to remain in the name of the broker, it constitutes a breach of trust for the broker to transfer it and if it can be identified, it can be recovered by the owner from him or from a receiver in bankruptcy.

It, therefore, seems to me that your rules and regulations should provide that the number of every certificate purchased should be listed by the broker, and furnished to the purchaser, and that whenever stock is paid for it should be segregated from the broker's general assets and properly kept so that it can be identified by the owner. It should subject any member to immediate suspension if he converts or hypothecates stock which has been paid for in full. No man can afford to deal through members of your Exchange if your rules permit or encourage such dealings as those of Houston Fibel & Co. They proudly proclaim that they don't owe a cent to anyone, *except to their customers!* In other words the property of their customers seems to have been sacrificed to pay everyone else.—H. M. M.

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THE CENTURY COMPANY
359 FOURTH AVENUE
NEW YORK CITY

New York Stock Exchange

	Pre-War Period 1909-13 High	Pre-War Period 1909-13 Low	War Period 1914-18 High	War Period 1914-18 Low	Post-War Period 1919-1922 High	Post-War Period 1919-1922 Low	1923 High	1923 Low	Last Sale Feb. 20	Div'd $ per Share
RAILS:										
Atchison	125⅜	90¼	111⅛	75	108⅛	91¾	102⅝	100	101¾	6
Do. Pfd.	106¼	96	102⅛	75	95⅛	72	90⅛	88¾	90	5
Atlantic Coast Line	148½	102½	126	79⅞	124⅞	77	121¼	110¼	120	7
Baltimore & Ohio	122¼	90⅝	96	88¼	60¼	27⅝	53½	40⅛	53	..
Do. Pfd.	96	77¾	80	48¼	66¼	38½	60½	57¾	60½	4
Canadian Pacific	283	165	220⅛	126	170⅞	101	149⅝	140¼	149½	10
Chesapeake & Ohio	92	51⅛	71	35⅝	79	46	76⅜	69	74¼	4
Ches. & Ohio Pfd.	..	..	..	..	105⅝	100⅝	104⅛	101⅞	104	6½
C. M. & St. Paul	165⅛	96¾	107⅜	35	52¾	16½	26	20⅝	25½	.
Do. Pfd.	181	130½	143	62½	76	29	44⅝	32½	43⅝	..
Chicago & Northwestern	198½	123	136⅞	85	105	59	85⅞	77	84⅝	5
Chicago, R. I. & Pacific	..	..	45¼	16	50	22⅝	37⅞	31½	36¾	.
Do. 7% Pfd.	..	..	94¾	44	105	64	95	80¾	95	7
Do. 6% Pfd.	..	..	80	35¾	93¾	54	84⅝	82	84½	6
Delaware & Hudson	200	147½	159⅛	87	141½	83¼	124½	103	123	9
Delaware, Lack. & W.	340	192½	242	160	260½	93	130½	122¾	129¼	8½
Erie	61¼	33½	59½	18¼	21⅜	7	13½	10½	13⅛	..
Do. 1st Pfd.	49¼	26¼	54¾	15⅛	33	11⅛	20⅜	15	19⅞	..
Do. 2nd Pfd.	39¼	19⅛	45⅝	13⅛	23¾	7⅛	14⅞	11⅛	14½	..
Great Northern Pfd.	157⅞	115½	134¾	79¼	100⅜	60	78⅞	71	77⅝	5
Illinois Central	162⅛	102¾	115	85¾	115¾	80⅞	117⅜	119	117	7
Kansas City Southern	50¼	21⅜	35⅛	13⅛	28⅞	13	23¾	18½	23¾	..
Do. Pfd.	75½	56	65½	40	59½	40	56	53⅛	56	4
Lehigh Valley	121¼	62½	87⅛	50⅜	72	39¾	71⅜	66½	70	3½
Louisville & Nashville	170	121	141⅞	103	144⅞	94	146¾	130	146	7
Mo., Kansas & Texas	51⅛	17½	24	3⅛	*19¾	*¾	17	13½	16⅞	..
Do. Pfd.	78¼	46	60	6½	*48¼	*2	45½	37	44⅞	..
Mo. Pacific	*77½	*21½	38½	19⅞	38⅞	11½	19⅜	15½	18⅜	.
Do. Pfd.	..	..	64⅞	37½	63¾	33⅜	49	41½	47⅝	..
N. Y. Central	147¾	90⅜	114¼	62½	101⅛	64⅛	98⅜	93	97⅛	5
N. Y., Chicago & St. Louis	109¾	90	90¾	55	91½	23¾	84	78	‡82	5
N. Y., N. H. & Hartford	174¾	65¾	89	21½	40⅞	12	22½	16½	21⅜	..
N. Y., Ont. & W.	55⅝	25⅛	35	17	30½	16	21⅛	19⅛	21	2
Norfolk & Western	119¾	84¼	147⅛	92⅝	125⅛	84⅛	117⅝	109¾	116⅝	7
Northern Pacific	159½	101¾	118⅞	75	99⅞	61¼	80	72	78¾	5
Pennsylvania	75⅝	53	61½	40¼	49⅜	32¼	47⅜	46	46⅝	3
Pere Marquette	*36½	*15	38⅛	9½	40⅝	12⅛	40⅞	36	39⅝	..
Pitts. & W. Va.	..	..	40⅜	17⅜	94	21⅛	39⅞	33⅞	39	..
Reading	89⅝	59	115½	60⅛	108	60¾	81⅛	76⅛	79¾	4
Do. 1st Pfd.	46¾	41¼	46	34	61	32⅞	56½	52	53	2
Do. 2nd Pfd.	58¾	42	52	33¾	65½	33⅜	56¾	51⅞	54⅛	2
St. Louis-San Francisco	*74	*13	50½	21	38⅞	10¾	25⅞	21	25½	..
St. Louis Southwestern	40⅜	18½	32⅛	11	40	10⅞	36⅛	28¾	49⅜	..
Southern Pacific	139⅛	83	110	75¾	118⅛	67½	94⅛	87	94⅛	6
Southern Ry	34	18	36¾	12½	33¼	17⅛	34	24¾	33½	..
Do. Pfd.	86⅞	43	85¼	42	72½	42	69⅞	64¾	69	5
Texas Pacific	40½	10¾	29½	6½	70½	14	27⅜	19¾	26⅞	..
Union Pacific	219	137¼	164⅛	101¼	154¾	110	142⅞	135⅛	142⅜	10
Do. Pfd.	118⅛	79¾	86	69	89	61¼	76½	74⅝	75¼	4
Wabash	*27⅞	*2	17½	7	14⅜	6	11⅛	8⅛	10½	..
Do. Pfd. A	*61¼	*6⅛	60½	30⅞	38	17	31½	23⅛	30½	..
Do. Pfd. B	..	..	32⅞	18	25½	12¼	20	16½	‡20½	..
Western Maryland	*56	*40	23	9¼	17¼	8¼	15	10⅝	13½	..
Western Pacific	..	..	25½	11	40	13¾	20	16	18⅛	..
Do. Pfd.	..	..	64	35	73	51½	62	56½	‡58½	6
Wheeling & Lake Erie	*12⅞	*2½	27⅜	6	18¼	6	10⅜	8¼	10	..
INDUSTRIALS:										
Adams Express	270	90	154½	42	84	22	73½	68	72½	4
Allied Chem.	..	..	.	..	91¼	34	80	71½	78½	4
Do. Pfd.	.	..	..	..	115½	83	111⅞	109	111⅞	7
Allis Chalmers	10	7⅜	49⅛	6	59¾	26½	51¼	45	50⅜	4
Do. Pfd.	43	40	92	32½	104	67½	97½	94⅜	97	7
Am. Agr. Chem.	63⅝	33½	106	47¼	113¾	26½	36	29½	35¼	..
Do. Pfd.	105	90	103½	89⅛	103	51	67¼	58¾	66⅛	..
Am. Beet Sugar	77	19¾	108½	19	103¾	24½	49½	36	46	..
Am. Bosch Mag.	..	..	..	..	143⅞	29⅛	49½	37	46½	..
Am. Can	47⅜	6⅞	68½	19⅜	76½	21¾	100½	73½	99	5
Do. Pfd.	129¼	98	114½	80	113⅞	72	114½	111⅞	‡113½	7
Am. Car & Fdy.	76½	36½	98	40	201	84½	188	178	183¾	12
Do. Pfd.	124¾	107½	119½	100	126⅛	105¾	125⅞	123	‡123	7
Am. Cotton Oil	79¼	33½	64	21	67½	14¾	20¾	14¼	18	..
Do. Pfd.	107½	91	102¼	78	93	33½	38¾	25¼	34¾	..
Amer. Express	300	94¾	140½	77½	175	76	142	133	141	8
Am. Hide & L.	10	3	22⅛	2½	43⅛	5	13	11	12⅞	..
Do. Pfd.	51⅜	15⅛	94⅞	10	142⅜	35	71¼	66½	‡70	..
Am. Ice	..	..	49	8⅞	122	37	110	98½	‡106	7
Am. International	..	..	62¼	12	132¼	21⅛	29⅞	24⅜	27½	..
Am. Linseed	20	6⅜	47¼	20	95	17¼	36¾	29⅜	34¼	..
Am. Loco.	74¾	19	98¼	46⅝	136⅜	58	129⅞	120⅛	126	6
Do. Pfd.	122	75	109	93	122¼	96½	128	119½	122	7
Am. Safety Razor	..	..	..	..	22	3½	9⅛	6⅞	8¾	.25
Am. Ship & Com.	..	..	..	..	47½	4⅜	21⅜	18⅛	18½	..
Am. Smelt. & Ref.	105½	56⅜	123¾	50¼	89¾	29¼	65⅜	53	64⅜	..
Do. Pfd.	116¾	98¼	118⅛	97	109⅜	63¼	101⅞	98⅜	101⅞	7
Am. Steel Fdys.	74½	24⅛	95	44	50	18	39¾	35½	38½	3
Do. Pfd.	..	..	..	..	107	78	105¼	102	‡104½	7
Am. Sugar	136⅜	99⅜	126⅜	89⅛	148⅜	47⅝	85	76	81½	..
Do. Pfd.	133⅛	110	123½	106	119	67½	108¾	106½	‡107⅛	7
Am. Sumatra Tob.	..	..	145¾	15	120½	23¼	36⅜	24¼	33	..
Do. Pfd.	..	..	103	75	105	52¼	65¾	55⅛	‡62	..
Am. Tel. & Tel.	153⅜	101	134½	90⅜	128¼	92⅛	124	121⅜	123⅛	9
Am. Tobacco	*530	200	256	123	314½	104⅛	161¾	150	157¾	12
Do. B	..	..	..	..	210	100⅜	159¾	148	156	12
Am. Woolen	40⅜	15	60⅞	12	169½	65½	102½	94	102⅛	7
Do. Pfd.	107⅜	74	102	72½	111¼	88½	111⅞	109⅞	110⅛	7
Anaconda	54⅜	27⅛	105¾	24¼	77⅞	30	51⅛	45⅛	51⅛	..
Associated Dry Goods	..	..	28	10	68¾	48	71⅞	62¼	70½	4
do 1st Pfd.	..	..	75	50½	86	49⅞	89	83	‡88	6
do 2nd Pfd.	..	..	40½	35	91½	38	91	88½	90⅞	7
At. Gulf & W. I.	13	5	147¼	4½	192⅝	18	27⅞	18½	25⅜	..
Do. Pfd.	32	10	74¾	9⅞	76½	15¾	21	14⅞	‡18	..
Baldwin Loco.	60¾	36½	154½	26⅝	156¼	62¼	142	129¼	130½	7
Do. Pfd.	107½	100¼	114	90	118	92	116¾	113	114½	7
Bethle. Steel B	*51⅜	*18¾	155½	59¾	112	41½	67⅜	64⅛	66¼	5
Do. 7% Pfd.	80	47	186	68	108	87	97⅛	93½	95⅞	7
Do. 8% Pfd.			110⅜	92⅛	116⅜	90	111⅛	107⅜	‡109⅜	8
Burns Bros. A	45	41	161½	50	147	76	144½	138½	‡120¼	10
Do. B	..	..	..	..	53	27	43	38½	38¼	2
Calif. Packing	..	..	60	20	87½	48¼	87	79½	85¼	6

Price Range of Active Stocks

	Pre-War Period		War Period		Post-War Period				Last Sale	Div'd $ per
	1909-13		1914-18		1919-1922		1923			
	High	Low	High	Low	High	Low	High	Low	Feb. 20	Share
INDUSTRIALS—Continued:										
Calif. Petro.	72½	16	42⅜	8	71⅞	15⅜	88	66¼	82½	7
Calif. Petro. Pfd	95½	45	81	29½	98½	63..	99¾	94¾	99¼	7
Central Leather	51¼	16½	123	25⅜	116½	22⅝	38⅜	32¼	37	..
Do. Pfd	111	80	117½	94⅞	114	57⅛	75⅜	67⅝	74	..
Cerro de Pasco	..	..	55	25	67½	23	46⅞	42½	46½	..
Chandler Mot	..	..	109⅞	56	141¼	38¼	75	61⅞	72⅜	6
Chile Copper	..	..	39¼	11¼	29¼	7¼	30⅛	27¼	30	.62½
Chino Copper	50⅜	6	74	31⅜	50⅞	16⅜	28⅛	24½	29	..
Coca Cola	..	..	..	..	82⅜	18	81	73½	76	6
Colum. Gas & E.	..	..	54⅛	14¼	114⅞	39¼	114	103⅞	108½	6
Columbia Graph.	..	..	*166	*97	75⅛	1⅛	2⅞	2⅛	2¼	..
Consol. Cigar	..	..	..	..	80	13½	39⅜	33	37⅞	..
Con. Gas	*165¼	*114½	*150½	*112½	*145¾	*71¾	6⅞	60	65⅝	5
Corn Prod	26½	7⅜	50½	7	134⅜	46	139¼	123½	135¾	6
Do. Pfd	98½	61	113½	58⅛	122⅜	96	122	118⅜	‡121	7
Crucible Steel	19⅜	6½	103⅞	12¼	278½	49	82½	67½	80¾	..
Cuba Cane Sugar	..	..	76⅜	24⅞	59⅜	5⅝	20	12⅝	17⅞	..
Cuban Amer. Sugar	*58	*33	*273	*38	*605	10⅞	37⅜	23½	33½	..
Endicott-Johnson	..	..	..	..	150	44	94¼	75¼	76½	5
Do. Pfd	..	..	..	..	119	84	118	112	115	7
Famous Players	..	..	..	..	123	40	93	84¾	88½	8
Do. Pfd	..	..	..	..	107⅜	66	99¾	94⅞	97	8
Freeport Tex	..	..	70½	25¾	64⅜	9½	22	18⅞	20⅜	..
Gen'l Asphalt	42⅞	15½	39⅜	14¼	160	32½	49⅞	41½	46¾	..
Gen'l Electric	188½	129¾	187¼	118	190	109½	190⅛	179	180½	8
Gen'l Motors	*51¾	*25	*850	*74½	42	8⅛	15½	13¼	15⅜	.50
Do. 6% Pfd	..	..	99½	72¾	95	63	85	83⅜	‡84¾	6
Do. 6% Deb	..	..	..	..	94¾	60	85	83⅝	‡84	6
Do. 7% Deb	..	..	..	..	100	69	100	93¾	98	7
Goodrich	86½	15½	80¼	19⅜	93⅜	26⅜	39⅛	34	37½	..
Do. Pfd	109¾	78¾	116¾	79⅞	109½	62½	92	84	88½	7
Gt. Nor. Ore	88½	25½	50⅜	22½	52¾	24⅞	35⅛	30	33½	2
Houston Oil	25½	8¼	86	10	116½	40½	78	69¼	74½	..
Hudson Motors	..	..	..	..	26¾	19½	30	25¾	29¼	2
Hupp Motors	..	..	11⅜	2½	26⅛	4⅜	27	22¼	26	1
Inspiration	21⅜	13⅞	74¾	14¼	68⅞	28	42	33	42	..
Inter. Mer. Marine	9	2¼	50⅞	⅜	67¼	7⅛	11⅜	8⅝	10½	..
Do. Pfd	27⅜	12½	125⅝	8	128½	86	47	37½	42½	3
Inter. Nickel	*227¼	*135	57½	24½	33⅞	11⅛	16⅛	14	16	..
Inter. Paper	19¾	6½	75½	9½	91¾	30¼	55⅛	49½	53⅞	..
Invincible Oil	..	..	..	..	47⅛	5½	17⅞	14¼	17½	..
Kelly Springfield	..	..	85¼	36⅞	164	25½	55⅜	46½	54	..
Do. 8% Pfd	..	..	101	72	110¼	70¼	108	102¾	‡105	8
Kennecott	..	..	64¼	25	43	14⅛	43¼	35	43	3
Keystone Tire	..	..	46½	11	126¾	4¾	10¾	8⅜	9⅜	..
Lackawanna Steel	55½	28	107	26½	107¾	32	..	..	..	..
Lima Locomotive	..	..	..	..	65⅜	52	72¼	68⅛	68½	4
Loews, Inc	..	..	..	..	38⅜	10	21¼	18¼	20	..
Loft, Inc	..	..	..	..	28	7⅜	11¼	10⅛	10⅞	1
Mexican Pet	90½	41¾	129⅜	46½	322	84½	293	290	‡250	16
Miami Copper	30¼	12¾	49⅜	16½	32¾	14⅛	30	26¼	29⅞	2
Middle States Oil	..	..	..	..	71⅜	10	12¼	11	11⅜	1.20
Midvale Steel	..	..	98½	89½	62¼	22	30⅜	27	29¼	..
Nat'l Lead	91	42½	74⅜	44	129¼	63½	133¼	124	‡130	8
N. Y. Air Brake	98	45	136	55⅞	145¾	45⅛	51½	46	50	4
N. Y. Dock	40⅜	8	27	9¾	70¾	16⅛	25⅜	21¼	‡24	..
North American	*87⅞	*60	*81	*36⅞	106¾	82½	119	100½	114	10
Do. Pfd	..	..	..	..	47⅛	31⅞	48½	44½	47¼	3
Pacific Oil	..	..	..	..	69⅜	27½	48⅞	42⅛	45⅞	3
Pan. Amer. Pet	..	..	70¾	35	140¼	38⅛	93½	78¼	81	6
Do. B	..	..	..	..	111¾	34⅛	86	70⅛	72	6
Philadelphia Co.	59¼	37	48⅞	21½	48	26½	47½	41¼	45	3
Phillips Pet	..	..	..	..	59¼	16	61	47½	58⅛	2
Pierce Arrow	..	..	65	25	99	9¼	15¼	11⅛	13	..
Do. Pfd	..	..	109	88	111	18⅞	35⅛	27¾	31¼	..
Pittsburgh Coal	*29⅜	*10	58¾	37½	74⅜	45	67¾	58	60½	4
Pressed Steel Car	56	18½	88¼	17¼	113¾	48	81½	58	66	..
Do. Pfd	115	88½	109⅛	69	106	83	99⅜	86	92	7
Punta Aleg. Sug	..	..	81	29	120	24¾	59½	43	56½	..
Pure Oil	..	..	143⅞	31⅞	61⅞	21½	32	27¼	30½	2
Ry. Steel Spg	54½	22¼	78½	19	126¾	67	119½	110	‡116	8
Do. Pfd	113¾	90¼	105½	75	120	92½	119	115½	‡119	7
Ray Cons. Cop	27½	7½	37	15	27½	10	16⅜	13⅛	16⅛	..
Replogle Steel	..	..	..	..	93½	18	31¾	23¼	30¼	..
Republic I. & S.	49½	15⅜	96	18	145	41⅛	59⅜	47⅛	57½	..
Do. Pfd	111¼	64½	112⅜	72	106¾	74	93⅞	89	93⅞	7
Royal Dutch N. Y	..	..	86	56	123⅜	40½	55⅛	42½	52¼	2.68
Shell T. & T.	..	..	..	..	90¼	30⅞	38¾	34⅛	39⅛	.62½
Sinclair Con. Oil	..	..	67½	25¼	64¼	16½	35⅞	31⅞	34⅜	2
Stand. Oil N. J.	*448	*322	*800	*355	*212	38⅜	43¼	39¼	41⅜	1
Do. Pfd	..	..	..	..	120	100⅛	117⅞	116⅜	117⅞	7
Stromberg Carb	..	..	45¾	21	118¼	22⅛	88½	62¼	82½	5
Studebaker	49½	15⅜	195	20	151	37⅜	122¼	112⅛	119⅜	10
Do. Pfd	98⅛	64½	119½	70	118⅜	76	113¾	112	‡111½	7
Tenn. Cop. & Chem	..	..	21	11	17¾	6⅛	12¾	10⅜	12⅜	..
Texas Co	144	74½	243	112	57¾	29	52	47⅛	51⅜	3
Tex. Pac. C. & O	..	..	..	..	195	15⅜	24⅜	20¼	23⅜	1
Tobacco Prod	145	100	82⅜	25	115	45	58⅛	50⅛	58	..
Transcontl. Oil	..	..	..	..	62⅜	5⅝	14½	10⅞	12¼	..
United Fruit	208½	126⅛	173	105	224⅞	95¾	180½	152½	180⅜	10
Un. Retail Stores	..	..	..	..	119¼	43½	78⅞	64⅜	78⅝	2
U. S. Ind. Alco	57¼	24	171½	15	167	35¼	71⅞	62⅝	68⅝	..
U. S. Rubber	59½	27	80½	44	143½	40½	62	55	60½	..
Do. Pfd	123½	98	115¾	91	119½	74	105	99	102½	8
U. S. Smelt. & R.	59	30⅜	81½	20	73¼	26	41½	34⅞	40½	..
U. S. Steel	94⅞	41¼	136⅝	38	115½	70¼	108¾	104	107⅜	5
Do. Pfd	131	102½	123	102	117½	104	123½	119	120	7
Utah Copper	67½	88	130	48½	97½	41⅛	71	62½	70⅜	8
Vanadium	..	..	..	..	97	25⅛	44	33⅞	42½	..
Va.-Caro. Ch.	70⅜	22	60¼	15	92½	20¾	27	21	26⅝	..
Do. Pfd	129½	62	115⅜	60	115⅞	57¾	66	61	65¾	..
Western Union	86¼	56	105½	53⅜	121¼	76	119⅜	109	118¼	7
Westinghouse Mfg	45	24⅜	74⅞	32	59⅞	38⅞	67½	58¾	65	4
White Motors	..	..	60	30	86	29⅛	53⅞	48⅛	‡52	4
Willys Overland	*75	*50	*325	15	40¼	4½	8½	6⅞	7⅜	..
Wilson Co.	..	..	84¼	42	104⅞	27⅛	42¼	36	‡41	..
Woolworth	177⅜	76⅛	151	81½	223	100	224½	199⅛	216	8

* Old stock. ‡ Bid price given where no sales made.

ANSWERS TO INQUIRIES

(*Continued from page* 829)

funds which were used for the construction of four open hearth furnaces, blooming, sheetbar, and additional finishing mills. The output of the company's blast furnaces have hitherto been sold and raw steel for its finishing mills bought in the open market. In the last quarter of 1922, the company made money and the outlook now is for continued improvement. By July 1st, these new improvements will be ready for operation. At present levels, the common stock while highly speculative has, in our opinion, possibilities for appreciation in value.

AMERICAN GAS & ELECTRIC

Increased Earnings

Among my investment holdings I have 25 shares of American Gas & Electric. Would you advise taking a substantial profit in this stock or is it best to continue to hold it. Will appreciate any recent information you have in regard to earnings.—W. A. K., Atlantic City, N. J.

American Gas & Elecric is a holding company controlling electric light and power companies operating in 137 communities located in Pennsylvania, Ohio, Indiana, West Virginia, New Jersey and Illinois. The power stations have an aggregate generating capacity of 225,000 k. w. The company is controlled by interests closely allied with the General Electric Co. Capitalization consists of 11.3 million funded debt, 7.8 million 6% preferred and 7.5 million common stock (including the 25% stock dividend paid in December 1922). Earnings in 1922 showed a marked increase. For the 12 months ended Sept. 30, 1922, there was a balance available for common dividends equal to 38% on the present outstanding stock. At present levels of 175 the stock has had a big advance when the stock dividend is taken into consideration, but in view of the favorable earnings and the relatively small amount of common stock outstanding we consider it a good holding and advise retaining it for investment.

INVESTING IN FARMING VIA BONDS

(*Continued from page* 789)

by the Government and by the borrowing farmers, and that the earnings of the banks go to the stockholders, who are the farmers themselves. At the present time the Government does own some stock in the Federal Land Banks, but ultimately this will all have been retired.

The Joint Stock Land Banks, on the other hand, are privately owned institutions, the stock of which carries double liability. The farmer who borrows from the Joint Stock Land Bank does not have to subscribe to the stock of the bank and, as a general practice, does not do so. The farmer, therefore, does not participate in the profits of these banks.

Of the two systems the theoretical benefits to the farmer are all in favor of the Federal Land Banks, but actually, as has been shown by the rapid increase in the business of the Joint Stock Land Banks, the latter have been able to compete most successfully with the Federal Land Banks. It is interesting in connection with this phase of the land-bank system to read the following extract from the Federal Farm Loan Board's annual report, recently submitted to the Congress. This extract reads as follows:

> ". . . the operations of the year forcibly suggest the probability that in the immediate future, perhaps during the current year, the privately owned joint-stock land banks operating for private profit will, in the volume of business transacted, take precedence over the mutual Federal land banks."

The reason that the joint-stock land banks have been able to grow so rapidly is that they have been able to provide a quicker and more convenient service to the farmer than has been the case with the Federal land banks. It is one example of efficiency of private ownership as compared with the slowness and red tape of government or socialistic ownership.

Rapid Growth

There is one phase of the joint-stock land bank system, however, that does require some consideration, and that is the rapidity with which such banks are being organized. Up to January 1st, 1922, there were only twenty-three such banks in existence, but during the year 1922 forty additional institutions were chartered. Many of these new banks will not have any chance to compete with the banks already organized, or with the Federal land banks, and they will find great difficulty in not only disposing of their stock but also in finding a market for their bonds. The joint-stock land banks are somewhat handicapped in marketing their bonds as compared with the Federal land banks. The latter issue their bonds jointly, and are, therefore, able to command the services of a strong banking group. The joint-stock land banks, on the other hand, must each make a connection with a firm or group of bankers, and the marketing of its bonds is dependent upon the strength of such firm or group of bankers, and the reputation and standing of the bank itself. Most of the joint-stock land banks that have been organized for some time have established such connections and have been able to obtain all the financing necessary for their conservative growth. There are also a number of joint-stock land banks which have been organized by large commercial banks, and the business is in fact carried on as an adjunct of the commercial bank's operations. There is another group of banks that have been

organized by interests identified with small country banks, and these institutions have found some difficulty in marketing their bonds. There are at least 20 joint-stock land banks that have passed through the period of organization and have become good-sized institutions whose securities have a high standing in the investment field.

Joint-stock land banks are permitted to loan and issue bonds to the extent of 15 times their capital stock, whereas Federal land banks are permitted to loan and issue bonds to the extent of 20 times their capital stock. The capital stock of the Federal banks, however, is increased automatically as loans are made. The reason for this is that the farmers who organize National Farm Loan Associations must subscribe to stock of the association to the extent of 5% of the loans applied for, and the associations in turn subscribe to 5% of the total loans obtained by the loan associations from the Federal land banks. Organizers of joint-stock land banks, on the other hand, are required to subscribe to the capital stock of the banks before making loans, and the minimum capital required is $250,000. With this minimum capital the banks are authorized to loan and issue bonds up to $3,750,000 and, in order to do a business larger than this amount, it is necessary that the banks obtain additional capital. The control of the joint-stock land banks is in practically every case held by the organizers in the district in which the bank operates, but some of the banks have become so large that it has been necessary for them to seek outside capital and the stock has, therefore, been sold in the financial markets of the country. There is at this time a good market for the stock of at least a dozen banks in New York, and these stocks are now quoted at from $110 to $150 a share. They pay dividends ranging from 8% to 10%. Their gross profits range from 15% to 21% on their capitalization, and their net profits from 10% to 14%. The banks are required to establish a reserve by setting aside 25% of net earnings until such reserve account equals 20% of the outstanding capital stock, and thereafter 5% of the net earnings are set aside annually as a reserve.

Owing to the strict governmental supervision of joint-stock land banks and the character of business which they do their operation is eminently safe and their stocks provide an exceptionally sound investment. These bank stocks have been growing rapidly in the esteem of the investing public.

It is very likely that in this year there will be over a half billion dollars of Federal and joint-stock land bank bonds sold in the United States. The joint-stock land banks will probably continue to grow at a more rapid pace than the Federal, but investors should remember that both types of institutions are exceptionally safeguarded in their operations; that they both are performing a distinct service to America's basic industry, agricultural; and that while they are in a sense competitive, they are nevertheless under the control of the same Board and that in actual practice each is providing a specific service which is not actually competitive.

Current Bond Offerings

Paucity of Public Utility Offerings a Feature—Several Large Individual Issues

THOUGH the amount of dollars involved in ne · issues during the past several weeks has been large, this has been due rather to the offering of several very large issues than to the actual number of issues which was comparatively small. An unusual feature was the dearth of public utility issues. This was also true of land bank offerings. This is considered only a temporary feature, however, as there are undoubtedly a number of public utility companies that will have to do financing shortly and, of course, there is no question as to the potential volume of new land bank securities.

Several Large Offerings

The largest individual issue was the $25,000,000 Dutch East Indies 5½s offered on about a 7% yield basis. This is the first bit of foreign financing in this market for a number of months. The next largest issue was the $20,000,000 offering of the Sinclair Crude Oil Purchasing Company gold 6% notes offered to yield about 6.37%.

NEW BOND OFFERINGS

	Amount	Off'd Yield (%)
STATE AND MUNICIPAL		
Des Moines, Iowa...	$540,000	4.25-4.15
Albany, N. Y........	1,000,000	3.90-3.80
Charlotte, N. C......	800,000	4.40-3.40
Los Angeles, Cal....	1,500,000	4.40-4.35
Philadelphia, Pa.....	8,000,000	3.88
Minneapolis, Minn...	2,247,000	4.25-4.05
Gloucester, N. J.....	471,000	4.20-4.15
FOREIGN		
Dutch East Indies..	$25,000,000	7.20-6.40
RAILROAD		
Mobile & Ohio Ry. Co. equip. trust...	$1,600,000	5.00-5.20
INDUSTRIAL		
Sinclair Crude Oil Purchasing	$20,000,000	6.37
Continental Sug. Co	1,700,000	7.40
Crescent Insulated Wire & Cable....	500,000	6.63

Railroad issues were not prominent among the number of new bonds brought out for the inspection of the public but this should prove temporary as indications are that a considerable amount of railroad financing for purposes of equipment purchase will have to be done in the near future.

Condition of the Market

The comparatively small amount of new issues during the period under discussion is undoubtedly due to the unwillingness of bankers to clog the market, a state into which it had fallen during the earlier part of the year which saw an enormous volume of new financing. With the market in a healthier state than it has been for some time, the indications are that the scenery has been set for a new group of important offerings which will probably see light before many weeks pass.

It is understood that several South American issues will shortly be offered but there appears very little prospect of European financing in this market on account of unsettled conditions abroad.

GREENE-CANANEA COPPER CO.

(*Continued from page 822*)

copper market, as shown by the accompanying figures.

If the current improvement in operations is maintained, Greene-Cananea should turn out 50 million pounds of copper this year, or 100 pounds per share of capitalization. If it can maintain production costs as low as 10 cents a pound, which may well be expected in view of the low cost of Mexican labor and the operating improvements recently installed, on a 15-cent market it should earn 5 cents gross per pound produced, or $5 a share. It has to pay double taxes, however, in Mexico as well as in the United States, and the Mexican taxes are notoriously heavy. Judging by past years, deductions from this source should be about 1.2 millions, which would leave from $2 to $3 a share on the common.

Strong Financial Position

The financial position is unusually sound, as the company had at the end of 1921 among its current liabilities only accounts and wages payable and accrued taxes, a total of $62,632, while its current assets amounted to 4.4 millions, among which were cash on accounts receivable totaling 1.7 millions.

While the working-capital position appears to have declined from 6.9 millions in 1920 to 4.3 in 1921, it actually improved during the year, as inventories of 6.9, consisting of metal on hand and in process, were cut to 1.5, while cash and accounts receivable were increased from $569,000 to 1.7 millions and current liabilities cut from over 2 millions to about $60,000.

It is to be noticed, however, that whereas the total improvement in financial position resulting from this liquidation of inventories, consisting of an increase in cash and a decrease in current liabilities, amounted to 3.2 millions, the decline in inventories amounted to 5.5 millions, so that the company lost 2.3 millions through sales of copper in 1921 which had been produced during 1920, and which presumably had been carried at cost price in the balance-sheet of Dec. 31, 1920. This is reflected by a decline of 2.5 millions during the year in surplus, which at the end of 1921 was 5.4 millions, or $10 per share of $100 par, compared with 8 millions at the end of 1917.

To some extent this has been due to the rather generous dividend policy of the company, which has paid out since its organization in its present form in 1917 a total of $18.50 per share com-

pared with earnings for the period of \$15.19 a share, exclusive of a loss of 2.5 millions sustained in 1921 as a result of sales of copper below cost and unavoidable expenses in connection with the shut-down.

Conclusion

At the present time Greene-Cananea appears to stand before a new period of development, based on a readjustment to the post-war economic situation. It seems likely from the foregoing rough estimate of earnings that it will be able to earn, in "normal" years, from \$2 to \$3 a share, net, on which, in consideration of its strong working-capital position, it may be able to pay the bulk in dividends.

This would indicate that the present price around \$28 is about justified by the investment outlook for the stock, as on a \$2 dividend basis it would yield some 7.14%, which would be satisfactory, though somewhat low for a mining stock. At the same time, those familiar with the market history of the stock know that it has from time to time in the past sold at considerably higher levels than were warranted by the investment outlook, and this is particularly likely to be the case should there be a general boom in copper shares this year. **This is a rather risky and speculative attitude to take, however, since it contemplates a prospective overvaluation of a stock already selling sufficiently high, so that it does not seem as desirable at present levels as other stocks whose price has not yet discounted their earning and dividend prospects.**

30-CENT COTTON A HERALD OF PROSPERITY

(*Continued from page* 785)

exceptionally high-grade Egyptian type cotton which is used in the making of tires. Within a few years they were covering practically all their cotton requirements from land that had formerly been desert. The potentialities of cotton development, under the stimulus of high prices, in districts not now considered as cotton territory cannot, therefore, be dismissed as an idle threat.

Had cotton risen only as far as the general average of commodities over its prewar price, it would now be selling at around 20 cents. On our exports to Europe, therefore, we are levying a tax over and above the "normal" increase in prices, because of our privileged position as producers of American cotton, of about \$275,000,000. This roughly measures the incentive which our present price level offers to European countries to try to produce cotton in sufficient quantity for their requirements at 20 cents a pound or less. That they will speed up their efforts to shake off the domination of American cotton producers, under these circumstances, is scarcely to be doubted, and to the impartial observer, the far-off reflection of these possibilities casts a certain gloom over the brilliantly prosperous present condition of the South, based on 30-cent cotton.

FOREIGN TRADE & SECURITIES

(Continued from page 787)

change, with the peso selling at about 85% of par.

Two other desirable Argentina securities are the 5s of 1945, which are obtainable in small pieces, and part of which are listed on the New York Stock Exchange, and are payable in gold or currency at gold parity, and, for those who desire a short-term investment, the 7s of 1927, a dollar issue, also listed in New York.

Brazilian issues in many cases are not desirable for conservative investment, but an exception must be made in favor of the issues of the State of Sao Paulo, of which the External 5s maturing in 1957 and the External 8s, due in 1936, are sound, well-secured obligations. The State of Sao Paulo is one of the most densely populated and richest of Brazil, and has regularly paid interest and sinking-fund requirements on all its obligations. The former is a sterling-franc issue, payable at par, and the latter a dollar-sterling issue, and listed in New York, while the former is quoted in Paris and London.

Chile as a state has a long record of financial honor. Its gold 8% bonds, maturing in 1946, are a high-grade investment, whose yield is out of all proportion to the risk involved. They are listed on the New York Stock Exchange.

Another country with an excellent financial record is Bolivia, which met all the requirements on its debt service even during the difficult times of 1914-1915. Its 8% external loan, payable in 1947, is listed on the New York Stock Exchange. There is a provision in the bond agreement calling for a sinking fund of 10% per annum to be applied to the purchase of these bonds at or below 105 up to 1937, and thereafter to purchase or drawings at 105.

Colombia is another country with a fair financial record, having paid interest on all loans promptly since 1905. Prospective investors should consider for their list the sterling 6s, due 1947, and for those who require a shorter maturity, the 6½% notes, due 1927.

Uruguay too deserves consideration from investors because of its strong and improving financial position. The 8% loan maturing in 1946 is listed on the New York Stock Exchange. Investors willing to accept an investment with a stronger speculative flavor might consider the newly-issued Uruguayan cedulas, bearing 6% interest, and as well secured as the corresponding Argentina issue described above.

We may add in conclusion that investors should decide whether they want to take only those bonds which are payable in dollars, or in other currencies at gold par, which comes to the same thing, or whether they want to chance the fluctuations in sterling exchange (which we may consider negligible, but actual), or in South American exchange of the various countries involved. The latter course naturally involves more risk, but the possibilities of profit are greater, and we have been careful to select only those countries whose exchange may reasonably be expected not to decline any further, if not actually to go up. For this reason there has been omitted a number of attractive and well-secured Chilean issues, for example, which are intrinsically quite sound, but payable in Chilean currency, which is in a less favorable position than the currencies of some other South American countries. A judicious selection from the list herewith attached, with due regard to the question of what currency payment is to be made in, could well be a part of the investment portfolio of any business man.

BRILLIANT OUTLOOK FOR THE EQUIPMENTS

(Continued from page 806)

ferred dividends are earned from investments, repair work and miscellaneous business, leaving practically all of the car-building profits for the common stock. A fact which is frequently stressed to emphasize the greatly increased strength of American Car & Foundry, is the earning power in the April 30, 1922, fiscal year when dividends were covered despite the exceptionally small number of cars ordered by the railroad companies. This total was under 24 thousand. In the period from 1909 to 1914, when car orders ranged from 62 thousand to 234 thousand, the largest earnings on the common stock in any one of those years was a little over seven per cent.

At the close of 1922 American Car & Foundry had unfilled orders on books of probably 75 million dollars and it is, therefore, expected that returns on the common stock for the fiscal year ending April 30, 1923, will be considerable in excess of those of last year. The company has not gone in to any extent for foreign business and, therefore, earning power is now mainly a question of increased purchases by the United States and Canadian railroads.

Conclusion

The seven per cent preferred ranks with the best of the industrial preferred shares. **The common, selling around 180, is at a level where the average outside purchaser is somewhat skeptical of further possibilities. Nevertheless, the income return is still better than six per cent, the three years dividend reserve is untouched, earnings outlook is excellent and common share capitalization is relatively small when the condition of the company, as compared with ten years ago, is considered.**

RAILWAY STEEL SPRING Railway Steel Spring is rather a quiet company, that is to say, the common shares do not usually attract any considerable amount of

speculative attention and usually move conservatively with the general trend of the whole equipment group. Nevertheless, the corporation made excellent progress during the war period and was one of those companies that carefully shepherded surplus, did not declare unusually large dividends and, therefore, faced the period of depression successfully.

As to the financial structure, the most important result of the big business of 1916 and 1920 was the retirement of all of the funded debt, which in 1915 exceeded 6.3 million dollars. This meant that the seven per cent preferred became practically a first lien upon earnings and also meant that interest savings were between $3 and $4 a share upon the common stock. Therefore, when earnings in 1921 were only $4.50 a share upon the common, the dividend of 8 dollars was continued and, even though early in 1922 earnings were not covering dividend requirements, the management still felt that accumulated surplus warranted continuance of the 8-dollar return. By September, 1922, Railway Steel Spring's earnings were estimated to be exceeding the dividend requirements and in fact it is expected that the improvement in the last half of 1922 was so pronounced as to bring the whole year's earnings above the dividend requirements.

Conclusion

The preferred stock has paid seven per cent regularly since 1902 and is a good issue. The dividend record of the common stock is spotty and eight per cent was not declared until 1919. **This rate ought to be continued through this year and from the standpoint of present income return, Railway Steel Spring common gives over six per cent, but no special developments are now anticipated to place particular significance on the market action of the shares.**

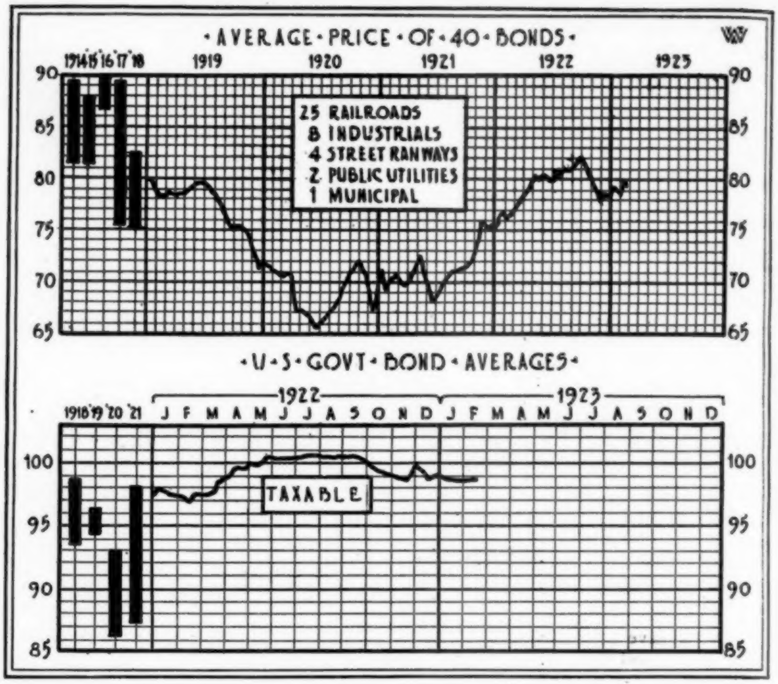
MARTIN-PARRY CORPORATION

(*Continued from page* 803)

ness of the company. It has reached a prominent position in its particular industry and bids fair to hold this position for a long time to come. The outlook for the motor-truck industry this year is excellent, so that Martin-Parry should have a large volume of business to handle.

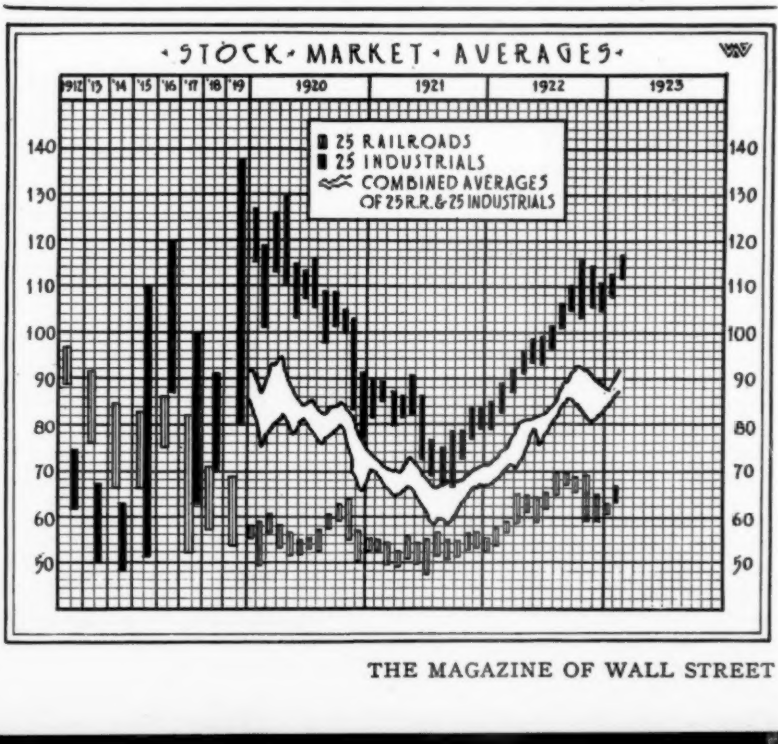
Conclusion

At present price of 29 the stock yields 6.89%. This is not an unusually high return but attractive enough in view of the earning power of the company and possibilities for future growth. For anyone who can afford to assume a business man's risk the stock looks attractive at these levels for the dividend is reasonably secure and, should future results come up to expectations, there exists the possibility of a very substantial appreciation in value.



MARKET STATISTICS

	N.Y.Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N.Y.Times 50 Stocks High	N.Y.Times 50 Stocks Low	Sales
Monday, February 12			HOLIDAY			
Tuesday, February 13	79.39	102.16	89.49	91.01	89.89	1,419,084
Wednesday, February 14	79.40	101.85	89.05	90.77	89.46	1,388,910
Thursday, February 15	79.35	102.57	89.14	90.81	89.79	1,365,725
Friday, February 16	79.34	103.23	89.24	90.85	90.03	1,495,165
Saturday, February 17	79.37	103.21	89.29	90.74	90.10	705,958
Monday, February 19	79.36	102.96	89.80	91.06	89.75	1,175,910
Tuesday, February 20	79.36	103.56	90.17	91.29	90.24	1,049,480
Wednesday, February 21	79.37	103.59	90.43	91.64	90.62	1,026,350
Thursday, February 22			HOLIDAY			
Friday, February 23	79.03	103.27	90.12	91.67	90.74	977,001



SOME ATTRACTIVE PREFERRED STOCKS

(*Continued from page* 817)

spread of about two points between bid and asked prices.

For the investor who is looking for a small investment with a fair yield, the preferred stock of American Gas & Electric Co. ($50 par value) can be recommended. At the current price of 46 a yield of 6.5% is shown on the investment. These shares also enjoy a good market in New York in the unlisted market. The company is principally a holding organization deriving earnings from investment in companies which operate in the middle west. It is strong financially and affiliated with the Electric Bond & Share enterprises. Earnings have grown consistently during the past ten years.

American Water Works 7% preferred stock selling at 92 shows a yield of 7.6%. The high yield on this issue reflects no doubt the fact that it has been only within the past two years that earnings have shown up well since the pre-war period. Company was hard hit for a time, but has shown remarkable improvement in earning power and should continue to do better. Earnings statement for 1922 has not yet been published but is likely to show about $7 a share on the common and inauguration of dividends on the 6% participating preferred stock is expected. With earnings improving, the stock should be worth par and at current levels seems to offer prospects of enhancement in value. The issue is not what can be classed a seasoned investment proposition but can be recommended as giving a yield in an improving company.

PRESIDENT OF P. LORRILLARD OPTIMISTIC

(*Continued from page* 797)

per 1,000 up. But demand keeps up, notwithstanding."

The Price Outlook

"If conditions move along on their present trend," Mr. Maloney concluded, "I would not be surprised to see higher prices.

"Manufacturers are paying more for the tobacco crops; as already pointed out, cigar, cigarette and snuff sales are steadily increasing, with the outlook favoring a larger volume of business this year than in 1922. Coupling these factors together, the obvious indication is that prices charged by the manufacturers will be advanced.

"The net result would be favorable in the proposition that price advances did occur. Most of the manufacturers have their expenses well in hand, and operating results are generally improving.

"The industry, as a whole, rests on a strong foundation, and indications are for satisfactory results this year."

UNLISTED UTILITY BOND INDEX

POWER COMPANIES

		Asked Price	Yield
Adirondack P. & Light 1st. & Ref. 6s, 1950	B..	101⅛	5.90
Adirondack Electric Power 1st 5s, 1962	A..	97	5.15
Alabama Power Co. 1st 5s, 1946	A..	93	5.50
Appalachian Power Co. 1st 5s, 1941	B..	91	5.80
Calif.-Oregon Power Co. 1st & Ref. 7½s Series A, 1941	B..	108	6.70
Central Maine Power Co. 1st & Gen. Mtge. 7s Series A, 1941	C..	104	6.60
Central Maine Power Co. 1st 5s, 1949	A..	95⅛	5.25
Central Georgia Power Co. 1st 5s, 1938	A..	88	6.20
Columbus Power Co (Georgia) 1st 5s, 1936	A..	100	5.00
Colorado Power Co. 1st 5s, 1953	B..	92	5.55
Consumers Power Co. (Michigan) 1st 5s, 1936	A..	96⅛	5.40
Electric Development of Ontario 5s, 1933	A..	96	5.50
Great Northern Power Co. 1st 5s, 1935	B..	95	5.60
Great Western Power Co. 1st & Ref. 7s Series B, 1950	B..	108	6.37
Great Western Power Co. 5s, 1946	A..	93⅛	5.50
Hydraulic Power Co. 1st & Imp. 5s, 1951	A..	99	5.00
Idaho Power Co. 5s, 1947	B..	94	5.45
Laurentide Power Co. 1st 5s, 1946	B..	95¼	5.35
Madison River Power Co. 1st 5s, 1935	A..	99	5.10
Mississippi River Power Co. 1st 5s, 1951	A..	94	5.40
Niagara Falls Power Co. 1st & Cons. Mtge. 6s, 1950	A..	105	5.60
Ohio Power Co. 1st & Ref. 7s, 1951	B..	105	6.55
Penn.-Ohio Power & Light Notes 8s, 1930	C..	104	7.30
Potomac Electric Power Gen. 6s, 1923	A..	100⅛	6.00
Puget Sound Power Co. 1st 5s, 1933	A..	97	5.30
Salmon River Power 1st 5s, 1952	A..	95	5.30
Shawinigan Water & Power Co. 1st 5s, 1934	A..	100	5.00
Southern Sierra Power Co. 1st 6s, 1936	A..	102	5.75
Southwest Power & Light 1st 5s, 1943	B..	89	5.97
West Penn Power Co. 1st 7s, 1946	B..	106	6.60

GAS AND ELECTRIC COMPANIES

		Asked Price	Yield
Bronx Gas & Electric Co. 1st 5s, 1960	B..	89	5.70
Buffalo General Electric Co., 1st 5s, 1939	A..	101	4.90
Canton Electric Co. 1st 5s, 1937	B..	97½	5.25
Cleveland Elec. Illum. Co. 5s, 1939	A..	99½	5.05
Denver Gas & Electric Co. 1st 5s, 1949	A..	94½	5.40
Evansville Gas & Electric Co. 1st 5s, 1932	B..	92	6.10
Indianapolis Gas Co. 1st 5s, 1952	A..	91	5.65
Los Angeles Gas & Elec. Gen. 7s, 1931	C..	106	7.75
Nevada Calif. Electric First 6s, 1946	B..	95⅛	6.37
Okla. Gas & Electric 1st & Ref. 7½s, 1941	B..	106	6.90
Okla. Gas & Electric 1st Mtge. 5s, 1929	A..	95	6.00
Rochester Gas & Electric Corp. Series B 7s, 1946	B..	110	6.20
San Diego Cons. Gas & Electric 1st Mtge. 5s, 1939	A..	94	5.55
San Diego Cons. Gas & Electric 1st Mtge. Ref. 6s, 1939	B..	100	6.00
Standard Gas & Electric Conv. S. F. 6s, 1926	B..	100	6.00
Standard Gas & Electric Secured 7½s, 1941	C..	104	7.10
Syracuse Gas Co. 1st 5s, 1946	A..	94½	5.40
Twin State Gas & Electric Ref. 5s, 1953	B..	81	6.45

TRACTION COMPANIES

		Asked Price	Yield
American Light & Traction Notes 6s, 1925	*B..	*101	5.65
Bloomington Dec & Champ. Ry. Co. 1st 5s, 1940	C..	74	7.75
Danville, Champ. & Decatur 5s, 1938	B..	94	5.60
Georgia Railway & Power 5s, 1954	B..	90	5.70
Kentucky Traction & Terminal 5s, 1951	C..	74⅛	7.10
Knoxville Railway & Light 5s, 1946	C..	86	6.15
Milwaukee Light & Heat & Traction 5s, 1929	A..	97	5.60
Memphis Street Railway 5s, 1945	C..	79⅛	6.80
Northern Ohio Traction & Light 6s, 1926	B..	97	7.00
Nashville Railway & Light 5s, 1953	B..	93	5.45
Portland Ry. P. & L. 1st & Ref. Series A 7½s, 1946	C..	106	7.30
Topeka Railway & Light Ref. 5s, 1933	C..	85	7.10
Tri-City Railway & Light 5s, 1930	C..	93	6.15
United Light & Rys. Ref. 5s, 1932	C..	88	6.70

TELEPHONE AND TELEGRAPH COMPANIES

		Asked Price	Yield
American Tel. & Tel. 5-Year 6s, 1924	A..	101	5.40
Bell Tel. Co. of Canada 1st 5s, 1925	A..	98	5.70
Chesapeake & Potomac Tel. Co. (Va.) 1st 5s, 1943	A..	95⅛	5.42
Home Tel. & Tel. of Spokane 1st 5s, 1936	A..	94⅛	5.40
Western Tel. & Tel. Collateral Trust 5s, 1932	A..	97¼	[illegible]

* Without warrants.

A—High Grade. B—Middle Grade. C—Speculative.

CALLABLE UTILITY BONDS WITH HIGH INTEREST RATE ATTRACTIVE

Unlisted Bond Prices Irregular With Moderate Fluctuations

UNLISTED bond market has turned quiet with no pronounced trend. The past few weeks have witnessed moderate fluctuations in prices in either direction though general sentiment seems to indicate that the market can be expected to go higher as the year progresses.

Calling of those bonds which bear a high interest rate by public utility corporations continues a feature, the latest of these being the retirement of United Light & Railway 8% notes. Issues bearing a 7% interest rate and over are becoming extremely scarce being replaced by bonds showing smaller yields. Those bonds which bear high interest rates and which are selling some points below the call price are just now extremely popular but are difficult to find.

Standard Gas & Electric 7½s

Standard Gas & Electric 7½s of 1941 are callable at 107½ to September, 1926, and appear attractive as an investment both in the light of current price and yield but also as to earnings. At the current selling price of 104, a yield of 7.10% is given on the investment, a return which is difficult to find with equal merit of the security. Standard Gas & Electric 6s of 1926 are selling slightly above par where a yield of close to 6% is given to the investor looking for a short-term investment.

Preliminary earnings statement for twelve months ended December 31, 1922, shows gross earnings of $4,759,702 against $3,632,745 for the previous year. Balance after charges but before amortization amounted to $2,811,422 against $2,196,368. After charging off amortization at $350,000 compared with $125,000 the previous year, net balance for common dividends amounted to $1,386,457 against $1,080,980 the previous year or $13 a share on the junior issue against $10 in 1921. Standard Gas & Electric derives its earnings from other companies in the form of dividends and interests chiefly, being a holding company and the 1922 statement indicates that affiliated companies are doing much better.

Penna.-Ohio Power & Light 8s

Among the list of bonds which are selling well below the call price are Pennsylvania-Ohio Power & Light 8% notes of 1930 which are callable to November, 1923, at 108 and which are now selling around 104 where a yield of better than 7% is shown. Ohio Power refunding 7s of 1951 are callable up to January, 1926, at 107½ and at the current selling price of 105 would show a yield of 6.55%.

While no intimation has been given that any of these bonds will be called, with money rates easing there is always the possibility that these and many other issues may be taken up at several points above present market quotations.

Over-the-Counter

IMPORTANT ISSUES
Quotations as of Recent Date

American Type Founders	68	— 71
Pfd.	98	—101
Atlas Portland Cement	68	— 72
Babcock & Wilcox	107	—109
Borden Co.	112	—115
Pfd.	103	—105
Bucyrus, pfd.	100	—105
Celluloid Co.	93	— 98
Childs Co.	144	—146
Pfd.	111	—113
Congoleum Co., 1st pfd.	92	— 95
Congoleum, com.	157	—163
Crocker Wheeler	50	— 55
Pfd.	90	— 97
Jos. Dixon Crucible	138	—143
Gillette Safety Razor	†270	—280
Ingersoll Rand	120	—130
New Jersey Zinc	173	—175
Niles-Bement-Pond	41	— 44
Pfd.	80	— 87
Phelps-Dodge Corp'n.	163	—173
Royal Baking Powder	130	—140
Pfd.	99	—101
Savannah Sugar	55	— 58
Pfd.	103	—108
Singer Mfg. Co.	114	—117
Thompson Starrett	75	— 85
Victor Talking Mach. (New)	163	—170
Ward Baking Co.	125	—130
Yale & Towne	58	— 61
Lawyers Mtg.	158	—162

†Listed on N. Y. Curb Exchange.

Near Boiling Point

THE Over-the-Counter market approached the boiling point in the fortnight just ended. Prices were influenced by actual or near-actual developments, however, as opposed to vague rumors, and a very tangible basis could be found for most of the advances recorded. Here are a few of the more striking price changes:

	Feb. 12th Bid Prices	Feb. 23rd
Congoleum Co. com.	135	157
Singer Mfg. com.	107	114
Ingersoll Rand com.	105	120
Safety Car H & L.	84	94

Niles-Bement-Pond

An exception to the trend was Niles-Bement-Pond, which declined 8 points. Weakness in this stock was in reaction to the company's statement for last year which showed even poorer results than those attained in 1921. Before dividends, there was a net loss of 2.99 millions, as against a net loss of 2.73 millions in 1921, and net profits of 1.10 millions and 2.28 millions in 1920 and 1919, respectively.

As one of the largest and oldest units in the machine-tool industry, Niles-Bement's fortunes are those of the industry itself. And the industry's fortunes take their cue from general business conditions. But it is a peculiarity of this particular line of business that its upswings and downswings set in some months after they have begun in general business lines. Hence, we have the spectacle of Niles-Bement lagging behind the general run of corporations, and filing a poor report for what was a "recovery year" for most other companies.

With the improvement in general business now a condition that has existed for some months, it is understood that Niles-Bement has lately begun its own upswing, belated as always. And for this reason, students of the corporation are inclined to ignore 1922 figures, despite the depressing effect they have exerted on the market price of the shares. The company is believed to be on the upgrade, and the extent of its recovery is held to be potentially as great as that recorded in business in general. The belief is held that Niles-Bement's preferred shares, offering a yield of 7.5% at current levels, cumulative as to dividends, and requiring only a little over $100,000 a year for dividends from a company with a profit and loss surplus of more than 9.4 millions might prove an excellent speculative investment for business men.

Congoleum Co.

The great strength in Congoleum, which moved up some 30 points during the fortnight to sales at the record high of 162, was the result of buying emanating from quarters outside of New York.

Singer Mfg. Co.

Singer's move from 107 bid to sales at 117 was accompanied by reports that the company's 33⅓% stock dividend, provided for by an increase in the authorized capital from $90,000,000 to $120,000,000 last December, would soon be forthcoming. If so, stockholders would derive further advantages from the recent increase in the cash dividend rate from $5 to $7 per share, annually.

Ingersoll Rand

Ingersoll Rand, in its 15-point advance, responded to the declaration of a quarterly dividend on the new stock of $2 per share, putting the issue on an $8 basis. The dividend rate on the old stock, before the recent 100% stock dividend, was $10 per share. Hence, where the holder of 1 share of the old stock received $10 a share in dividends, the same holder would have 2 shares today, on which he would receive $16.

Borden Co.

Considerably increased activity developed in the shares of the Borden Co., possibly as a result of the analysis of this

company's position published in our February 17th issue. Nothing developed in the way of news to change the position then taken, viz., that this company's common shares, at a price to yield over 7%, appear to offer an investment opportunity. The company has no bonded debt, and is understood to have paid off all its bank loans in 1922. Earnings for last year should show close to $20 per share on the common stock, against the dividend rate of $8 per share, which rate, with extras, has been maintained uninterruptedly for twenty years.

ST. LOUIS-SOUTHWESTERN RAILWAY CO.

(*Continued from page* 795)

them at maturity, have been earned about twice over during the last three years. There is every indication that this rate will be maintained. This margin is sufficient to amply protect the Consolidated 4s. Notwithstanding the relatively short term which this bond has to run its intrinsic value makes it at present quotations a very desirable investment.

The Preferred and Common Stock

The St. Louis Southwestern's stock capitalization consists of $19,893,650 Preferred stock, and $16,356,100 Common. The senior issue is entitled to 5% non-cumulative dividends, but payments upon it have been exceedingly irregular. In 1909 an initial dividend of 2% was paid. During the next four years from 4% to 5% was paid in each year, but after April 1, 1914, dividends were discontinued. Their resumption did not occur until December 30, 1922, when the stock was placed on a 5% basis by the payment of a semi-annual dividend of $2.50 per share.

In anticipation and as a result of this return to a dividend basis, the preferred has experienced a very substantial rise. It sold as low as 32⅜ in the early part of 1922, while it is currently selling at about 60, within a fraction of the highest it has reached since 1914. At this price the yield is 8.15%. During the past three years, earnings after all charges have averaged about $12 per share on the preferred, and in view of these earnings the 5% rate gives every indication of being permanent.

The common stock has of course shared in the improved market position which the resumption of preferred dividends has created. It ranged in 1922 from a low of 30¾ to a high of 36⅞, being 34½ at the present writing. Although during the thirty-two years that the present company has been in existence it has never received a dividend, its prospects now are incomparably better than ever before.

Budget for 1923

The St. Louis Southwestern is in an exceptionally strong cash position. On December 31, 1921, current assets of $9,927,000 were more than twice the company's current liabilities. It is estimated that the road has at present on hand

accumulated cash and invested balances of approximately $4,000,000.

In November, 1922, Mr. Edwin Gould, Chairman of the Board of Directors, stated that the authorized budget for 1923 includes provision for large additions to motive power and equipment, as well as heavy outlays on general betterment and improvement account, a budget deemed not more than adequate to place the property in the condition which its growing possibilities demand. All the railroad's locomotives are to be converted from coal to oil burners. Abundant supplies of oil are readily accessible and their use instead of coal will result in more economical operation.

The cash requirements which this budget for 1923 contemplates, aggregate $4,500,000. A large part of this will undoubtedly come out of present cash resources. In view of these large expenditures the directorate may or may not regard itself justified in initiating payments on the common stock. **However, due to the excellent earning power which the St. Louis Southwestern has recently demonstrated, it is not at all unlikely that within the next year or so this junior issue will be placed upon a dividend basis.**

WILL AMERICANS PAY BRITISH DEBT?

(Continued from page 779)

"Undoubtedly, but they will probably not be able to reduce them very much. They buy from us now only those commodities that they have to get from us, generally speaking. Also, they will doubtless do their best to market here everything they can, but nothing that it is possible for them to accomplish will have an appreciable effect on our domestic production."

"As the British are to pay only three and three and a half per cent interest, can they not make a 'killing' by buying and holding our bonds that pay up to 4¼th per cent, thus making our taxpayers contribute substantially toward their interest payments?"

"Conceivably they can do so to some extent, but if they have the money they will find the best use of it is to reduce the debt; also, our bonds are subject to income taxation, which makes the net interest less than the nominal. No doubt, though, they may save a few dollars now and then by picking up any of our bonds that may be below par and turning them in at the next settlement day at par, as the agreement provides. But any considerable purchase for either purpose would soon bring the bonds to a premium, which would not be disappointing to the 13,000,000 Americans who own them."

"Will it be possible for our Government to sell these British bonds as a means of financing a soldiers' bonus or some other expenditure?"

"Yes, with the permission of Congress—the law being at present that funds derived from their cancellation must be used in the reduction of our own public debt. But such a disposition of them would depreciate our own outstanding bonds, if,

indeed, they could be sold at a satisfactory price or in large volume in view of the fact that they are 'on or before' bonds which may be taken up at any semiannual interest date.

"View it in any angle you choose, the recognition and payment of just debts, between nations as between individuals, if arranged in such a way as not to ruin the debtor, is beneficial to both parties concerned. The British did not ask for cancellation and did not desire a longer term of payment than sixty-three years. Britain is keeping faith with us, and we are keeping faith with our people who so unsparingly put their money into our bonds and made it possible for us to make to England the advances that were her salvation in the time of the Great War."

The British View

Sir A. Maurice Low, Washington correspondent of the London *Morning Post*, views the funding of the British debt in much the same light as Mr. Burton does—as a dignified and honorable settlement of a debt—which, he thinks, is likewise the view of the British people and Government, though he speaks simply as a private person.

"The funding settlement which Congress has now adopted and which had been previously accepted by the British government is very acceptable to our people," said Sir Maurice, "and for two outstanding reasons.

"First, it proves to all the world once again that England always pays.

"Second, it unites the British and American nations in a pact that will go far to rehabilitate and stabilize the economic world.

"It is a cause of much satisfaction that this huge obligation has been so harmoniously arranged, and I am sure that the British people have been rejoiced by the appreciatory, even laudatory, references that have been made to them in the debates in Congress and in the American press in regard to this settlement. The whole delicate matter has been disposed of in a manner that conduces greatly to harmony between the two nations—a harmony that is now so important to the world.

"We are very happy to have the subject closed, even though the burden we must now take up will likely preclude any relief for many years from the oppressive taxation we now endure. For **sixty-three years the British people will have to stint themselves to honor their debt.** We make no complaint of the period of the funding settlement. Neither do we question the amount of the validity of the debt of $4,600,000,000. We have never either hoped or asked for gratuitous cancellation of the obligation. We had only hoped for a lower rate of interest, say 2½ or 3 per cent, as we believe that interest rates will be much lower in the future than they now are. This was an important consideration with us, because interest is much the larger portion of the total amount we shall pay in the course of sixty-three years. While it was never seriously considered on either side that the 5 per cent of the ad-interim

(Please turn to page 862)

MORE INFLATED SECURITIES

(Continued from page 807)

groups of organizations have been built up, having different functions and relations to each other. There is the Piggly Wiggly Corporation, which owns the patent rights to the sales method, and leases it out against royalties to concerns that operate grocery stores. It also manufactures equipment for use in connection with its peculiar sales system, but itself does not operate stores. Its stock is not listed on the New York Stock Exchange.

One of the lessees of this corporation is the Piggly Wiggly Stores, Inc., which is the concern whose stock is listed. It is the biggest of the concerns operating under this system, owning over 300 such stores, and pays royalties to the Corporation, which owns all of the 50,000 shares of Class B stock of the Stores, Inc. The latter, however, has no connection with other stores using the Piggly Wiggly system under lease from the Corporation.

Among the latter were the Manhattan Piggly Wiggly and the other concerns which failed spectacularly some months ago, before the collapse of Elliott's Business Builders, Inc., which had helped float them. As the latter group of Piggly Wiggly stores paid no royalties to the P. W. Stores, Inc., but only to the P. W. Corporation, the Stores had nothing to lose by their failure, and must be considered on its own merits as a chain-store company operating a large group of stores and paying a lease to another corporation which owns part of its stock.

The Piggly Wiggly Stores, Inc., operates stores in 60 cities in the East, South and Middle West. Its capitalization consists of 200,000 shares of Class A stock and 50,000 of Class B, the latter entirely owned by the parent company, the Piggly Wiggly Corporation.

While both classes of stock are entitled to cumulative dividends at $4 a share, the Class A stock has priority, and the Class B has the voting power, which is thus retained by the Corporation. Both classes participate equally in dividends above the $4 annual rate.

While the company has shown continuous expansion since its incorporation in November, 1919, it has made an unsatisfactory earnings showing so far. In its first full year of operation it lost 1.2 millions, in 1921 it made a profit of 208,000, and preliminary figures for 1922 show earnings of $670,000, or $3.35 a share for the Class A stock, including a deficit of $74,000 for the third quarter, attributed by the company to extraordinary expenses in connection with expansion.

Judging from its past record, the company appears to be capable of doing a gross business of some 30 million dollars annually, on which its profits should be large if the business is well conducted. The fact that its earnings in 1922, which was a very good year for other companies, and when it was helped by rising prices on the inventories that it carried over from 1921, were so low weighs heavily against it.

Dividends of $1 a share were paid in 1920 and $3 a share in 1922, the stock being now on a $4 basis. It has arrears of $7 a share on the Class A and of $12 a share on the Class B, on which it has never paid a dividend.

According to its financial statement of the end of March, 1922, its current liabilities amounted to $983,000 while current assets were $847,000, exclusive of inventory carried at 1.7 millions.

Current prices around 69 appear to discount the payment in full of the $7 back dividends, the payment of back dividends on the Class B stock and the continuance of the $4 rate, which the company has not as yet earned in the three years of its existence. Under these circumstances the stock appears to be selling well above its intrinsic value.

AMERICAN HIDE & LEATHER COMMON

The common stock of this company is a curious illustration of how a stock can over a long period of time continue to sell at prices unjustified by its investment value. In this respect the stock is "inflated," although in the event of a speculative movement in the preferred the common might move upward sympathetically. Such a movement in the common, however, would have no foundation in intrinsic values, and would, therefore, necessarily be short-lived.

The fundamental fact about American Hide & Leather common is that it is preceded by 126¾% of back dividends on the 7% preferred, of which there are outstanding 12.5 millions, of $100 par value, while there are 11.5 millions of the common, together constituting the entire capitalization. The company is the largest single factor in the production of upper leather, having an annual capacity of 2¾ million hides and 5 million calfskins.

Except for the war boom from 1916 to 1919, the company never made a good earnings showing. From 1912 to 1915 it earned an average of $3.77 a share on the preferred, which was about its normal showing. From 1916 to 1919 it improved its earnings to an average of $16.31 a share on the preferred and $10.53 a share on the common. In 1920, it incurred a deficit of 7 millions, and in 1921 of $550,000, while in 1922 it earned only $4.20 per share of preferred, exclusive of its receipt of $495,000 for fire loss, in spite of unusually active operations in the latter half of the year. That the fire had not materially impaired its producing capacity was shown by the fact that at the end of 1922 the company was working on double shift and producing as much as at the peak of the war boom.

The financial position as of the end of 1921 was sound, current assets of 9 million being almost 3 times the current liabilities, with a thoroughly deflated inventory account and cash and receivables amounting to 2.3 millions.

Since organization in 1899 the company has paid a total of 37¾% in dividends on the preferred, or an average of 1⅝% a year on a 7% cumulative stock. It has never paid anything on the common. The back dividends on the preferred of 126¾% will probably be funded into the form of

stock or bond obligations when conditions become more settled in the leather industry. In this event the present common would probably suffer, as on December 31, 1921, net assets applicable to the preferred stock amounted to $90 a share, after deducting the back dividends. A reorganization might, therefore, result in scaling down the present preferred, if not wiping out the common.

In any event, dividends on the present common seem almost unthinkable as far ahead as one can see. Under the circumstances the present price of 13, while apparently low, is in reality much too high, and holders should sell it and switch into something with more intrinsic value behind it.

UNITED DRUG CO.

This is a consolidation of the Liggett and the Riker-Hegeman groups of drug stores, and has in addition the chain of Rexall Stores as an outlet. It controls Liggett's International, Ltd., which operates in England and France. In addition to distributing it is a large manufacturer of medicines, toilet articles, stationery, candy and other articles usually sold in drug stores.

The capitalization consists of 14.2 millions of bonds, mostly convertible 8s, due 1941; 16.3 millions of 7% cumulative first preferred, of $50 par, $171,000 of 6% non-cumulative second preferred, of $100 par, convertible into the common share for share, and 34.5 millions of common, of $100 par value.

A study of recent balance sheets shows that while the current asset position is sound, with current assets of 23 million against current liabilities of 3 million, the fundamentals of the company leave much to be desired. In the first place, good-will and other intangibles are carried at 22.7 millions, which seems very high. Second, from 1919 to 1920 the company appears to have overextended itself, and to have been caught badly in the crash that followed. During that year inventories went up from 14 to 23 millions, financed by borowing 18.4 millions from the banks, as no new capital was floated during the year. When inventory values declined badly, the company was compelled by the bankers to fund most of its indebtedness on disadvantageous terms, while inventory account dropped from 23 to 13 millions.

The bond issue, therefore, represents not new money put into the property, but the net loss on an unsuccessful speculation contracted in 1920-1921, hanging over the company as a burden on its future earnings. Because of its guarantee of the 8% dividends on 7.5 millions of the preferred stock of its subsidiary, Liggett's International, Ltd., it also has a contingent liability of $600,000.

Earnings since incorporation in 1916 have averaged $6 a share, while dividends, suspended in 1921, averaged $5 a share. Earnings in 1922 are believed to have been around $5 a share. This would justify a dividend of $3 or $4 a share, which would not justify the current level of 82. One reason why the stock is selling so high is the personal loyalty to the company's president, Mr. Liggett, of hundreds of owners of Rexall drug stores throughout the country, who invested in the stock years ago and persist in holding on to it, thus maintaining the price at a high level. **This, however, would not justify an outside investor in buying or holding on to the stock at the present time.**

PAN-AMERICAN PETROLEUM

(*Continued from page* 819)

ducing area must ultimately be developed. But there are none better qualified than this company to embark on such a campaign. They will doubtless pioneer in other fields in other countries, parts of which are comparable to the Mexican fields at the time of development started. Some of this pioneering probably will be in other parts of Mexico. The services of this highly developed organization are needed in some of the South American republics where some of the exploratory work thus far has been misdirected and unintelligent. Pan-American has reaped a plentiful harvest in Mexico but it must again hit the long trail if it retains supremacy in its particular field. It is now qualified by experience and remembrance of the lessons learned in Mexico to blaze the road to the new fields, wherever they may be.

In Quest for New Production

Pan-American, apparently realizing the decline of their Mexican production and the length of time it takes to develop

new fields have embarked on a campaign for production in this country. They recently acquired by purchase some acreage in the new Smackover field in Arkansas and also succeeded in closing a deal for the development of some Naval Reserve land in the Elk Hills field in California. It is very doubtful, however, whether the Smackover acreage will develop into anything very big as this field has shown a too rapid rate of decline to produce a large quantity of crude from the territory acquired.

The Naval Reserve Contract

The Naval Reserve contract, however, should be a fruitful one. Situated practically against the greatest producing area in California, the development of this territory should be such as to return very large profits to the operators. As Pan-American already has about 20,000 barrels production per day adjacent to this tract, it will not cost as much to develop it as if they had to go entirely new into this field. It has been announced that the contract called for the advance payment of some $12,000,000 for royalties and it is probable that the total expenditure necessary to develop this tract will amount to $50,000,000.

It is very probable that additional producing areas in Mexico will be discovered and developed. The same seepages indicative of the present fields are found in other localities and Huasteca, due to their being the pioneers in this country hold about 900,000 acres under lease and own in fee about 450,000 acres, most of which is the cream of this territory and the confidence of the officials of this company will probably be justified in future developments.

The value of the outstanding common stock at the present market price is $163,988,000 and with the present dividend rate of $8.00 per share calls for an annual payment of $17,280,000. The present dividend yield is about 10% on the present selling price. The combined earnings of Mex-Pete and Pan-American are now running about three times the present dividend requirement so that additional funds should be available for expansion from current earnings.

Conclusion

The broadening out of the company so that the entire investment would not be dependent upon the Mexican production is a fine thing for the stockholders as all of the eggs are not now in one basket. With the large cash reserves and the current earnings this company should be able to build up profitable holdings in this country and take its place among the large domestic operators in the oil industry.

There are no indications that the present rate of dividend on the stock cannot be continued, and with the probable increased earnings from the investments in this country, ought to be able to increase the dividend rate in case that this was deemed advisable, and, with the stability indicated in the earning power of this company, should prove to be a good speculative investment.

BROOKLYN RAPID TRANSIT CO.

(*Continued from page* 818)

Briefly, the greatly increased operating costs, which came as a result of the period of inflation following the close of the World War and the flat refusal of the New York City political Administration to permit any increase whatever in the rate of fare, forced the company into a position where its receipts were insufficient to meet its expenses. The crowning incident, and the direct cause of the receivership, was the lamentable Malbone Street Tunnel accident, in which scores of persons were killed and injured with subsequent damage claims against the company. Under the very able and competent management of Receiver Lindley M. Garrison, and the partial return of general conditions to a more normal basis, however, the system has at last reached the stage where it is again reporting substantial earnings.

However, before the receivership can be lifted and the company placed on a sound operating basis, many old outstanding obligations must be "cleaned up." These obligations consist of about 27 millions of accumulated arrears of interest, 12 millions of receiver's Certificates, nearly 4 millions of tort and general contract creditors claims, and other miscellaneous items.

Method of Reorganization

The proposed plan provides for a successor company to the present Brooklyn Rapid Transit Company. This successor company, probably to be known as the Brooklyn Rapid Transit *Corporation,* will buy in, under foreclosure, the properties of the old company. Under this procedure, it is evident that if the holders of the old common stock fail to participate in the reorganization their equities will be seriously threatened if not entirely wiped out.

In order to raise the necessary funds and take care of other details, the new company will issue the following new securities:

New 6% S. F. Bonds	$92,761,007
New 6% Preferred Stock	25,060,407
New no par value Common Stock (shares)	766,530

The new 6% bonds are to mature in 45 years and are to carry cumulative sinking-fund payments, beginning July 1, 1926. The new bonds are to be secured by pledge, at the rate of 6 for 5, of new 5% bonds of the company or companies owning and operating the rapid transit subway and elevated lines and the power-house properties.

The new 6% Preferred Stock is to have preference over the Common and is to be cumulative after three years.

The plan also permits the "authorization of a Prior Lien Mortgage on the rapid-transit lines and power-house properties to such an authorized amount as may be later determined by agreement with the committee." These prior lien bonds, however, are to be issued only for the purpose of "providing additional equipment and for capital improvements for the rapid-transit lines and for power-house properties." None of these bonds will be issued under the plan and their provision seems to be merely a safety measure so that the new company will be in no danger of failure to meet any future capital requirements with which it might find itself confronted.

Basis of Settlement

It must be remembered that the B. R. T. Company is primarily a holding company, as well as being an operating company. In addition to its own bonds and obligations, there are outstanding certain underlying bonds of subsidiaries, which are specific liens on definite properties. The various bond issues of the system fall into three distinct groups, namely:

1. Underlying bonds not in default and which are absolutely undisturbed by the reorganization.
2. Underlying bonds in default, which are to be *reinstated* and a settlement made on account of unpaid interest.
3. Bonds in default for which a settlement is to be made both on account of principal amount as well as unpaid interest.

In the accompanying schedule is shown the various issues, with the amount of accumulated intere.t to July 1, 1923, and the basis of settlement for each particular issue.

Common-Stock Assessment

As is usual in a case of this kind, the burden of raising the necessary new money falls on the shoulders of the common stockholders. The proposed plan provides that each share of common stock shall be assessed $35 and upon payment of this $35, for each share of old stock deposited, there will be received the following new securities:

$21.875	face value of New 6% Bonds
13.125	par value of New 6% Preferred Stock
$35.00	and also
1	share of new Common Stock.

There is every possibility that the new securities will shortly have been listed on the New York Stock Exchange and be actively dealt in on a "when, as and if issued" basis. Up to the present time, however, there has been some trading in the new issues "over the counter" and, as near as the writer has been able to determine, their price range has been approximately as follows:

	High	Low
New 6% Bonds	80¼	75
New 6% Preferred Stock	49	45
New no par value Common	21	16

Quotations, as this article is written are: Bonds, 77½ @ 78½; Preferred, 45⅛ @ 46⅛; Common, 19⅛ @ 20½.

Position of Old Common

A holder of the old common stock, who decides to participate in the plan, will receive for each old share new securities having a current market value (based on

"when issued" quotations) approximately as follows:

\$21.875	New 6% Bonds @ 78........	\$17.06
13.125	new 6% Preferred @ 46.....	6.04
1	share New Common @ 20...	20.00
	Total	\$43.10
	Less Amount of Assessment	35.00
	Surplus above assessment...	8.10

This "Surplus above assessment" actually represents the present *value* of the old common stock—note that this present *value* is about 3 points below the present *market price* for the old common of 11¼. In other words, if a holder of old stock should purchase the *new* securities he is to receive (on a when-issued basis) for a total cost of \$43.10 (as above) per share held, and sell out his old common for \$11.25, the net cost of the new securities would be \$31.85 (\$43.10 less \$11.25), whereas by *holding* the old stock and paying the assessment the cost would be \$35, a difference of \$3.15 per share.

From the above it is evident that either the old common stock must decline or the new securities advance so as to eliminate this difference. It is possible that *both* old and new issues might either advance or both might decline, but in an advance the *new* securities should advance further than the old or in a decline the *old* should decline further than the new.

In the case of a stockholder who desires only to retain his common-stock interest, he could now buy the new common "when issued" at \$20, selling the old common against it for \$11.25, making the net cost \$8.75, whereas if he subscribed the \$35 and sold the new 6% bonds for \$17.06 and the new 6% preferred for \$6.04 (a total of \$23.10 deducted from \$35), the net cost would be \$11.90.

It is of course unlikely that the quotations will be the same as they now are when this article appears, but the foregoing calculations will, at least, serve our readers as a basis for figuring.

Position of Bond Issues

These underlying bonds, which are undisturbed by the reorganization, enjoy a strong position. The new money to be paid in by stockholders will add even greater strength to them and there is no doubt as to the continuance of their interest. The Kings County Elevated 4s and the Brooklyn Union Elevated 5s, which have hertofore been described and recommended in the pages of this Magazine, are partciularly attractive. The "Kings" at a present market price of about 76 yield about 5.75% and the "Brooklyn Unions" at about 84 yield approximately 6.25%.

The issues which are to be reinstated are, with the exception of the Nassau Electric Consolidated 4s of 1951, outstanding in comparatively small amounts and there is little public interest in them and a very limited market. The Nassau Consolidated 4s, however, are listed on the Stock Exchange, selling currently at about 67 "flat." For the accrued interest, amounting to \$180 per bond, \$140 is to be received in new Preferred and \$40 in cash. At a price of 46, the \$140 of Preferred has a current value of \$64.40 to which adding the \$40 to be received in cash, gives a total of \$104.40. A purchaser of

Nassau Electric Consolidated 4s at present price of 67, or $670 per bond, will be able to deduct this $104.40, bringing the net cost to about 56½. When these bonds are *fully reinstated* and *paying regular interest* they should be worth at least 65 or 70. It is therefore apparent that their purchase now offers a splendid opportunity for an almost sure profit.

Those issues which are to receive a settlement in new securities and cash (as outlined in Schedule) should "work out" at decidedly better than current market prices. To illustrate the method of calculating the "working out" price, based on present "when issued" quotations for new securities, take the B. R. T. 50 Year 5s of 1945, which are scheduled to receive:

$900 in new 6% Bonds @ 78 =....	$709.00
125 in new 6% Preferred @ 46 =..	57.50
1.625 shares in new Common @ 20 =	32.50
50 in Cash =....................	50.00
Total	$848.00
Present Market 50-Yr. 5s @ 77......	$770.00

Similar calculations for the other issues in this class show the following results:

	Should "Work Out"	Approx. Present Market
B. R. T. 50-Yr. 5s, 1945...	$ 848.00	77
B. R. T. Ref. Mtg. 4s, 2002	711.60	67
B. R. T. 3-Yr. 7s, 1921...	1,010.80	93
B. R. T. 6-Yr. 5s, 1918....	954.00	inactive
N. Y. Mun. 5s, 1966......	954.00	inactive
Bkn. Hgts. 5s, 1941......	460.00	inactive

Future Outlook

For the fiscal year which ended June 30, 1922, B. R. T. reported net earnings, after all charges, of $3,087,419, which was the equivalent of $4.14 per share of outstanding Capital Stock. The Company, however, after its reorganization will find itself with increased fixed charges which will tend to reduce the amount of income available for the Common Stock. While it is as yet too early to obtain sufficient details which would permit an exact calculation as to just what the new fixed charges will be, a rough approximation may be made. The total amount of 6% Sinking Fund Bonds to be issued, amounting to $91,761,007, will require $5,565,660 annually to meet their interest and the $25,060,407 new 6% Preferred will call for $1,503,624 annually in dividends, a total of $7,069,284 in new charges. As an offset, the interest on the various old bonds tc be exchanged for the new issues aggregates $4,631,529 and there will also be saved the interest on Bank Loans (assumed to be at 6%) of $198,000 and about $1,280,000 on Receiver's Certificates (until recently $16,000,000 were outstanding at 8%). This makes a total of interest charges eliminated of $6,109,529 against new interest and preferred dividend charges created of $7,069,284—a net increase of $959,755. Another charge which will become effective after July 1, 1926, and be cumulative, is the Sinking Fund on the new 6% Bonds. The proposed Plan, as given out, does not state just what this Sinking Fund will be, but assuming that it will be sufficient to redeem the bonds by maturity, it will amount to something over $2,180,000 per annum. It is evident, therefore, that by July 1, 1926, annual fixed charges will be about 3 millions greater than they were for last year and if, by then, earnings have not im-

proved very considerably, there will be little available for the Common Stock. The fact that the Sinking Fund does not become operative for three years, as well as that the new Preferred Stock is non-cumulative for three years, would lead to the belief that no great increases in earnings are looked for in the immediate future. Furthermore, there is the possibility of the issuance of Bonds under the Prior Lien Mortgage, which would add that much more to fixed charges.

Summary

In the writer's opinin, the new 6% Sinking Fund Bonds are cheap at 78. He believes that their interest will be earned by a substantial margin and after (if not before) the Reorganization they should gradually work toward substantially higher prices.

The new 6% Preferred Stock he regards as an excellent speculation at present prices of about 46. There is good reason to expect that, in spite of the fact that it is non-cumulative for the first three years, it will pay dividends from the start and when these dividends are once inaugurated the new preferred should certainly be worth much more than 46.

The new Common Stock, unhappily, does not appear to have as satisfactory an outlook. Dividends appear to be remote and the writer feels that at 20 it is selling plenty high enough for the time being. It is quite possible that while the Reorganization is being put through it may be supported in the market and its price maintained at 20 but no real justification can be seen for very much higher figures for several years to come.

To the holders of practically all the various Bonds of the B. R. T. System, the writer's advice would be to hold for still higher prices.

To the stockholders he would say that he believes that the new Common has rather a long pull ahead. Those willing to "see the matter through" will probably be rewarded for so doing in the end but it will take a considerable amount of patience. Nevertheless, as previously pointed out, unless substantial changes take place between now and March 3rd, when this article will appear, in the quotations of the various issues, it is more to a stockholder's advantage to purchase on a "when issued" basis the new securities he will obtain and sell his old common against them, rather than to acquire them through the payment of the assessment.

SOLVING INDIVIDUAL INSURANCE PROBLEMS

(*Continued from page* 814)

of your death before attaining age 60, the proceeds of the policy would be paid to your beneficiary.

If you communicate directly with the Metropolitan Life Insurance Company, requesting information regarding the paid-up value of your policies, you will doubtless receive a prompt reply from them giving the facts you desire.

SAFEGUARDING CREDITS

(*Continued from page 796*)

acknowledged economic expert, early in 1922, said:

"These are fundamental factors in every tight money situation following a boom period. The public turns fiercely on the banking system for not keeping money easy under conditions which are beyond its control. The real mischief was done when the public over-borrowed under the excitement of rising prices and booming times."

Mr. Roberts says the "real mischief was done when the public over-borrowed under the excitement of rising prices." Would it not seem from Mr. Roberts' statement that *"the public"* by some force or other, persuaded the bankers to over-loan?

It would be harsh, and we believe, unreasonable to suggest that bankers would deliberately over-loan their funds. But on the other hand, no borrower will assume the burden of saving the money-lender from himself.

A Simple Method of Procedure

Nor will legislation do it. There is too much of a tendency among certain of our population to pass their problems along to congress. Even though such a solution were feasible, and it is not, for congress has proven itself inefficient. The banks and other business interests must find the safeguard for themselves. The simplest, and to our mind, the most efficient would be one which would give to a bank or a business house, at any time, reasonably fresh and full knowledge of the financial condition of the customer.

Let every bank, varying the system of course to suit local requirements, create as a part of its credit department, a special bureau which might be likened to the army intelligence service, or the filing system of a large newspaper.

The bureau should be reasonably segregated from its parent department. It should be in charge of a small committee of the more active loaning officials, and have as its inside workers men or women, who would hold the contents of its files as a sacred trust.

It would be the business of the bureau to take up the nearly completed business—and even that actually closed—preparing as well, a preliminary credit classification of customers—according to strength—in a more exhaustive way than is at present generally in vogue.

It would have sufficient power to investigate the relations which may be between the bank official granting a loan and the negotiator of that loan, if conditions existed to warrant it. These would not reflect on the official—but would guard against the possibility of trouble, if an under-current of confidence existed, built up from long continued business or friendship. Its work would include a careful examination and watching of financial statements—the issuance and exchange of trust papers and of stocks and their market values as security. All its activities may not be itemized here, but it would investigate and guard carefully the true status of a customer's business affairs.

It would include in its files all records which might indicate the value of a customers account—of his methods of protecting big business. Scraps of information, concerning him or his personal habits, newspaper clippings, records of court proceedings, affecting him or his business, would all be retained for future reference for use in event of the placing of a new loan, an increase thereof, the renewal of a note, or questions affecting the value of any existing transaction.

The bureau would operate quietly. It would operate rapidly and in such a way as to take but a little longer than the usual investigation by the credit department.

Of course in the effort to get such information, the plan adopted should cause no irritation, trouble or anxiety to a customer. To do otherwise, would hamper. Many times the information desired may be obtained without the customer's knowledge. But even if it were otherwise, *THE OBLIGATIONS OF THE TRUST REQUIRE THE TRUTH.*

We have outlined the plan broadly enough to indicate its intent. It is flexible. As stated, a part of the present force of a credit department could do the work. In others, a greater amount of detail and a bigger department might be necessary.

An Example

Let us give a possible example of the workings of such a bureau, that may point a value. A comparatively small account has been selected for this example.

Mr. X., the proprietor of a thriving garage and automobile accessory business, has been a customer of the Y. Z. Bank for two years. His garage has, in addition, a good trade in second-hand cars. His account has been in excellent shape and, allowing for seasonal slumps, has shown increase and success. His account, though not large, had every appearance of being satisfactory. The indications are that he is a worth while depositor.

Mr. X. appears one day to negotiate a loan. It is a good-sized one, although not out of proportion to his business, and is to be used, he says, in expanding his accessory trade.

A hasty survey of his statement and account reveals the satisfactory conditions just described. Many a bank loan has been closed with less of a showing. But in the miscellaneous information, which the bureau has assembled about Mr. X. are two brief newspaper clippings, which might have gone unnoticed under the old system. One reads:

"William Wye, an automobile mechanic, 668 Lakeside Place, was arrested yesterday, when it was found, according to the police, that the machine which he was driving was stolen. He said he was employed in Mr. X's garage, 505 Submarine Avenue. He will be arraigned in the Police Court tomorrow."

The second clipping states that the case

was continued a month on a plea by the counsel for the defense.

The clippings would serve as a danger signal. The closing of the loan would be postponed in such a way as to leave Mr. X's feelings uninjured while an investigation was in progress.

The investigation might reveal the prospective borrower as an entirely innocent party as regards the stolen automobile.

Again, a chat with the police in the neighborhood, or a local detective bureau, might reveal X. as a suspected "fence" for stolen automobiles, with a large proportion of the machines which he had cited as proof of his industrial stability in that category and subject to replevin by their original owners.

In the latter event, the bank would be saved an appreciable financial loss through the operation of the special bureau. This example is not entirely hypothetical.

A word in conclusion.

Economic experts assert that out of one hundred men who start in business, but four succeed, and of the four, two hold values of their business secure to the end of their lives.

The economic history of the United States reads plainly. It tells us that there are ups and downs, years when money can be made easily, and other years when, if money was not lost, profits were small.

The era of keen competition which has been inaugurated as a part of post-war conditions is due to continue for some time. It is known that the larger interests have been and are girding their armies in an effort toward operating costs that they may sell goods cheaper to the consumer. It is inevitable that efficient competition will have a disturbing influence on the smaller and less efficient concerns in their respective industries.

A Narrow Margin

So delicately are modern businesses adjusted that a one per cent loss over a period of years presages bankruptcy. A one per cent gain contains possibilities and the hope of glittering success.

To say that many banks have been wonderfully successful without such more intensive plan, as that herewith suggested, is true, but does it meet the issue?

During a period of deflation it is more than possible that the credit losses, which would be eliminated by the system just proposed, would enable many a firm or bank to cross to the right side of the dividing line between failure or safety for itself, and work toward a stabilizing of general business.

It is our opinion that the collapse of at least one large banking institution in the past eighteen months would never have occurred had such a plan been in operation for a period of two years preceding the trouble. And if one, there may always be others worth while saving.

Any savings made, such as are possible under the plan suggested would, in addition to assisting in stabilizing business, also reduce costs. As a country-wide benefit, it ought to insure deductions in rates of interest as well as lend toward an opportunity to take better—more safe care of really deserving banks and borrowers in times of serious trouble.

(*Continued from page* 851)

memorandum, which the funding agreement supersedes, was to be insisted upon we perceive the difficulties in wholly meeting our view, arising from the fact that your own bonds are drawing as high as 4¼ per cent. It was much better to attain an expeditious and harmonious settlement, with such substantial and friendly majorities in Congress than to haggle long over a half of one per cent, even though it signifys hundreds of millions."

IF I HELD—

Prairie Oil—Marland Oil—Invincible Oil

—I WOULD

(*Continued from page* 821)

ing the following, and last, three months of 1922; so it seems hardly likely that concerns engaged largely in production were able to maintain the rate of earnings established earlier in the year. Ignoring this probability, however, and figuring Marland's earnings for the full year 1922 at the 9 months' rate, the company would have earned, roughly, $4,440,000, before interest. Deducting the charges noted above, Marland's balance for dividends would have been $2,722,603.

The company, as of September 30th, had 928,742 shares of capital stock outstanding. On this issue, dividends at the rate of $4 a share were inaugurated on June 20th, last. At this rate, a year's dividends would require $3,814,966.

If the above figuring is correct, then Marland is on a basis which calls for almost $1,000,000 more to be paid out in dividends than the company apparently earned last year, after deduction of a year's fixed charges figured on the basis shown.

A statement said to have emanated from directors of the company, and published Jan. 22nd last, estimated earnings *after interest charges,* although before taxes, depreciation, depletion and cost of dry holes, at better than $7,000,000, and after reserves for these items at "approximately $4,200,000."

If these figures are correct, then Marland's current dividend rate apparently calls for the disbursement of nearly 90% of what the company earned last year.

Between paying out at a rate calling for more than it could earn last year, under the good conditions prevailing, and paying out all but 10% of such earnings, there does not seem to be much choice.

Marland shares appear firm on the exchange at current levels around $40 per share, and offer a yield of about 10% on the investment.

Conclusion

Nevertheless, as a holder of 100 shares of the stock, the writer would consider the doubts to outweigh the possibilities and be tempted to sell out, reinvesting the proceeds ($4000) in 35 shares, say, of Borden Co., which offers a yield of close to 7% at current levels despite the great strength of the company and the upward trend of its earnings.

—and the warehouse shelves are not yet bare

WITH minimum interference to established industry, the War Department, to date, has disposed of over two billion dollars' worth of its commodities that were choking Army warehouses when the Armistice was signed. The amount reclaimed for the Treasury represents 41 percent of the cost of the materials disposed of to date.

About 400 million dollars' worth of these commodities remain to be sold. It is the plan of the War Department to wipe the slate clean and go out of the jobbing business sometime in the next few months. However, there will be no particular rush about it.

A lot of this material is scheduled for sale in early Auctions and Sealed Bid Sales, the earliest of which appear in the panel on this page. To be fully informed in regard to these sales, send for the various catalogs as directed in the panel. To make doubly sure, send your name and address to Major J. L. Frink, Chief, Sales Promotion Section, Room 2515 Munitions Building, Washington, D. C., advising him just what sales and commodities interest you.

The War Department is jobbing on a huge scale—and on a greater variety of merchandise, probably, than any other jobber in the world.

In this huge building (Munitions Bldg., the largest office building in the world) the Government's sales are engineered—its bargain lists prepared, the selling plan worked out and all advertising plans devised and executed.

The Government reserves the right to reject any or all bids.

WAR DEPARTMENT SELLING PROGRAM

MARCH

March 8—CASTOR OIL, Riverside, Calif., Sealed Bid. For catalog write M.D. & S. Section, Room 2624 Munitions Bldg., Wash., D. C.

March 9—Q. M. SUPPLIES, St. Louis, Mo., Auction. For catalog write Q. M. S. O., 1819 W. Pershing Rd., Chicago, Ill.

March 9—ERIE HOWITZER PLANT, Erie, Pa., Auction. For catalog write Quartermaster General, Room 1018 Munitions Bldg., Wash., D. C.

March 13—ORDNANCE SUPPLIES, Rock Island, Ill., Sealed Bid. For catalog write C. O., Rock Island Arsenal, Rock Island, Ill.

March 20—ORDNANCE SUPPLIES, Rock Island, Ill., Sealed Bid. For catalog write C. O., Rock Island Arsenal, Rock Island, Ill.

March 20—ORDNANCE SUPPLIES, Watertown, Mass., Auction. For catalog write C. O., Watertown Arsenal, Watertown, Mass.

March 22—Sale of Army Supply Base, Port Newark, N. J., originally scheduled to be held March 1st, has been postponed to March 22nd.

APRIL

April 3—BLDGS. & IMPROVEMENTS, Camp Grant, Rockford, Ill., Auction. For catalog write C. O., Camp Grant, or Q. M. General, Room 1018, Munitions Bldg., Wash., D. C.

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WAR DEPARTMENT